

IN THE UNITED STATES DISTRICT COURT  
FOR THE MIDDLE DISTRICT OF ALABAMA  
NORTHERN DIVISION

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GUIDEONE SPECIALY MUTUAL  
INSURANCE COMPANY,

PLAINTIFFS,

V.

FIRST UNITED METHODIST CHURCH  
OF ANDALUSIA, ALABAMA, INCO,  
INC., SPECIAL TOUCH RESTORATION,  
INC.,

DEFENDANTS.

Case No.: 2:06-cv-867-WKW

**COMPLAINT FOR DECLARATORY JUDGMENT**

1. Plaintiff, GuideOne Specialty Mutual Insurance Company, (hereafter "GuideOne"), a corporation, is an insurance company organized under the laws of the state of Iowa, with its principal offices located in the state of Iowa and is authorized to do business in the state of Alabama.

2. Defendant First United Methodist Church of Andalusia, Alabama (hereafter "church" or "the church") is a church corporation located in Andalusia, Covington County, Alabama.

3. Defendant INCO, Inc., is a corporation whose principal office is located in Orange Beach, Alabama and who at all times pertinent hereto performed work in Andalusia, Covington County, Alabama.

4. Defendant Special Touch Restoration, Inc., is a corporation whose principal office is located in Brewton, Alabama and who at all times pertinent hereto performed work in Andalusia, Covington County, Alabama.

5. An actual controversy of a justiciable nature exists between GuideOne and Defendant Church involving the rights, interest, and liabilities under a policy of insurance issued by GuideOne to it, which said controversy involves a policy of insurance with limits in excess of the jurisdictional requirements.

6. Pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201, Defendant INCO, Inc. is a real party in interest to the instant action. INCO undertook to make repairs to the First United Methodist Church of Andalusia, Alabama. The church has sought to pay INCO for those repairs using proceeds of the GuideOne Insurance Policy made the subject of this suit.

7. Pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201, Defendant Special Touch Restoration, Inc., is a real party in interest to the instant action. Special Touch Restoration undertook to make repairs to the First United Methodist Church of Andalusia, Alabama. The church has sought to pay Special Touch Restoration for those repairs using proceeds of the GuideOne Insurance Policy made the subject of this suit.

8. Jurisdiction in this case is pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201 et seq. and diversity of citizenship, 28 U.S.C. § 1332.

9. At all times applicable to this matter, Defendant First United Methodist Church of Andalusia, Alabama was insured under a policy issued in its name. Said policy was in full force at all times applicable to this matter. A copy of the policy providing various coverages bearing policy number 1196-415 and the declarations pages setting forth the policy limits is attached hereto as Exhibit "A".

10. Hurricane Ivan caused damage to the church premises when it struck in September, 2004. The church properly filed a claim, assigned claim number 10A88958, following Hurricane Ivan. Pursuant to that claim GuideOne has made payments totaling approximately \$43,077.98 to repair interior damage and the roof of the church. GuideOne and the church continue to work toward the conclusion of that claim.

11. Accordingly, the church hired a contractor, Defendant INCO, Inc., (hereafter "INCO") to repair the Hurricane Ivan-caused damage made the subject of claim number 10A88958.

12. Upon information and belief, INCO commenced the repair process on or about April 3, 2005. That contractor completely removed the church's entire roof, rather than effecting repairs section-by-section. Subsequently, after the roof had been completely removed by INCO, it rained more than once, causing water to enter and damage the interior of the church building.

13. Further, upon information and belief, INCO allowed debris to clog downspouts and drains on the west side and the southeast corner of the church, causing further damage.

14. Thereafter, INCO placed some unsecured felt roofing material over the void previously covered by the roof. Subsequent wind and rain blew this felt off, again exposing the church's interior to further water damage.

15. The roof was subsequently covered with visquine or plastic sheeting to prevent further rain penetration. INCO, upon information and belief, subsequently planned to bring in a sizable crew in order to completely re-roof the church building in two days. In preparation, INCO removed all the visquine or plastic from the roof opening. After again

completely exposing the church building's interior, the INCO crew did not appear. It rained again, allowing more water to enter the roofless church.

16. By approximately July 10, 2005 INCO had to some degree completed re-roofing the western portion of the sanctuary roof but had only roofing felt laid across the eastern portion. Hurricane Dennis then came through the area and blew the unsecured roofing felt from the roof's eastern portion, through which void more rain fell upon the interior of the church.

17. The roof was finally replaced on or about August 1, 2005. The church subsequently hired Defendant Special Touch Restoration, Inc., which charged \$100,000.00 to mitigate the water damage to the church interior caused by rainfall through the absent roof. INCO also claimed additional sums for remedial work done to repair water damage to the church interior. The church made a new claim, assigned claim number 10B02172, seeking payment from GuideOne for this remedial work to correct damage which occurred subsequent INCO commencing repair work on or about to April 3, 2005.

18. GuideOne policy number 1196-415 (exhibit "A") contains a "Building and Peronal Property Coverage Form" which states in pertinent part as follows:

**A. COVERAGE**

We will pay for direct physical loss of or damage to Covered Property at the premises described in the Declarations caused by or resulting from any Covered Cause of Loss.

Exhibit "A", Certified Policy, PCP 23 11 03 04 (page 1 of 23). That same form further provides:

**A. COVERAGE**

\*\*\*

### **3. Covered Causes of Loss**

See Applicable Causes of Loss form as shown in the declarations.

Exhibit "A", Certified Policy, PCP 23 11 03 04 (page 3 of 23). The declarations indicate the applicable "Cause of Loss Form" is "special including theft". The "Causes of Loss - - Special Form" provides as follows:

#### **A. COVERED CAUSES LOSS**

When Special is shown in the Declarations, Covered Causes Loss means risks of Direct Physical Loss unless the loss is:

1. Excluded in Section B., Exclusions; or
  2. Limited in Section C., Limitations;
- that follow.

Exhibit "A", Certified Policy, PCP 23 14 03 04 (page 1 of 10). The policy "Causes of Loss - - Special Form" contains various exclusions from coverage, including the following:

#### **B. EXCLUSIONS**

\*\*\*

2. We will not pay for loss or damage caused by or resulting from any of the following:

\* \* \*

- f. Continuous or repeated seepage or leakage of water, or the presence or condensation of humidity, moisture or vapor, that occurs over a period of 14 days or more.

Exhibit "A" Certified Policy, PCP 23 14 03 04 (page 3 of 10). It also contains the following Exclusion:

3. We will not pay for loss or damage caused by or resulting from any of the following, 3.a. through

**3.c.** But if an excluded cause of loss that is listed **3.a.** through **3.c.** results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.

\*\*\*

**c. Faulty, Inadequate or Defective**

- (1)** Planning, zoning, development, surveying, siting;
- (2)** Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
- (3)** Materials used in repair, construction, renovation or remodeling; or
- (4)** Maintenance;

of part or all of property on or off the described premises.

Exhibit "A", Certified Policy, PCP 23 14 03 04 (page 4 of 10). The "Causes of Loss - - Special Form" also contains the following limitations:

**C. LIMITATIONS**

The following limitations apply to all policy forms and endorsements, unless otherwise stated.

- 1.** We will not pay for loss or damage to property, as described and limited in this section. In addition, we will not pay for any loss that is a consequence of loss or damage as described and limited in this section.

\*\*\*

- c.** The interior of any building or structure, or to personal property in the building or structure, caused by or resulting from rain, snow, sleet, ice, sand or dust, whether driven by wind or not, unless:

- (1) The building or structure first sustains damage by a Covered Cause of Loss to its roof or walls through which the rain, snow, sleet, ice, sand or dust enters; or

\*\*\*

Exhibit "A", Certified Policy, PCP 23 14 03 04 (page 6 of 10).


19. Based upon the language of the pertinent policy, and the investigation and interviews conducted by GuideOne surrounding the claims made by the church, GuideOne avers that the damages and remedial work for which the church seeks indemnification pursuant to claim number 10B02172 are outside the coverage provided by the policy, and/or are subject to exclusions from coverage or limitations on coverage provided by said policy.

WHEREFORE, the above premises considered, Plaintiff GuideOne Specialty Mutual Insurance Company seeks the following relief:

- A. That the Court declare Plaintiff GuideOne Specialty Mutual Insurance Company has no duty to indemnify the First United Methodist Church of Andalusia, Alabama for those damages and remedial work which occurred subsequent to payment of claim number 10A88958.
- B. That the Court declare that the claims constituting claim number 10B02172 made by the First United Methodist Church of Andalusia, Alabama fall outside the coverage provided under the policy, and/or are excluded from coverage under the policy, and/or under the limitations on coverage provided by the subject policy.

C. That the Court grant Plaintiff GuideOne Specialty Mutual Insurance Company such other, further and different general relief to which it may be entitled.

Respectfully submitted this 26 day of September, 2006.

  
\_\_\_\_\_  
Christopher J. Hughes (HUGHHC2886)  
Attorney for GuideOne Specialty Mutual Insurance  
Company

OF COUNSEL:  
**SAMFORD & DENSON, LLP**  
P.O. Box 2345  
Opelika, AL 36803-2345  
Telephone (334) 745-3504  
Facsimile (334) 745-3506

**PLEASE SERVE SUMMONS AND COMPLAINT VIA U.S. CERTIFIED MAIL**  
**TO:**

INCO, Inc.  
25299 Canal Road  
Ste. A2  
Orange Beach, AL

Special Touch Restoration  
1266 South Blvd  
Brewton, AL 36426



## POLICY MATERIAL REQUEST

2:06-cv-867-WKW

\*\* SINCE MOST LEGAL COUNSEL WILL ACCEPT A COPY OF THE CERTIFIED MATERIAL, PLEASE PUT THE CERTIFIED COPY IN THE CLAIM FILE AND SEND OUT ONLY PHOTO COPIES. FOR NON CERTIFIEDS, PLEASE KEEP COPIES OF REQUESTED MATERIAL IN CLAIM FILE. \*\*

CID 3904944



Certified Copy Needed.



SIU Requested Certified Requests \*\*SIU USE ONLY\*\*

Quantity of Certified Copies Needed (POLICY, ALL FORMS & UNDERWRITING FILE)

Please include with the certified copy of the policy the certified copy of the complete underwriting file (include signed application, any changes, cancellation notices, or other pertinent information).

Yes RUSH !! \*\*ONLY\*\* Click on the RUSH box, if the material is needed within 2 business days.

7/3/06 Date material need by (This box can be used for both rush and non rush requests)

POLICYHOLDER: First United Methodist Church

POLICY NUMBER: CPP0001196415

ADDITIONAL POLICY NUMBERS: N/A If yes, list here....

CLAIM NUMBER: 10B02172

DATE OF LOSS (MM/DD/YY): 7/10/05

VEHICLE: \_\_\_\_\_

VIN (last 5 digits): \_\_\_\_\_

Loss Description: water and mold damage inside sanctuary building

### Quantity Material Needed

Letter of coverage in force on date of loss (NOT OFFERED ON COMMERCIAL REQUESTS)

Notice of Cancellation sent to policyholder (PROOF OF MAILING WILL BE SENT WITH ALL CONSUMER REQUESTS)

Change request dated (MM/DD/YY): \_\_\_\_\_

Selection or rejection of coverage dated (MM/DD/YY): \_\_\_\_\_

Application

### Commercial Policy:

Declaration Page \*\* ONLY\*\* N/A

(A common declaration page should always be included with all commercial package policy requests.)

2 Copy of policy in force on date of loss: All Forms

### Consumer Policy:

Verification of Coverage Form \*\*ONLY\*\* (replaces the declaration page) N/A

Copy of policy in force on date of loss: N/A

☒ Other (example: u/w file, additional declaration pages, etc.): \*\*\*\*\*We have property forms already. We need remainder of the policy forms\*\*\*\*\*

**Further Instructions:**

☒ Return all material to requesting party

Name & Ext.: Brad Coggins

Mail Station Code: ALC Date: 6-30-06 Time:     

☒ Overnight Express

☒ Send material to: (COMPLETE ADDRESS REQUIRED):

Samford & Denson, LLP; ATT: Chris Hughes

709 Avenue A

Opelika, AL 36801

☐ Send additional certified to: (COMPLETE ADDRESS REQUIRED):

\_\_\_\_\_

\_\_\_\_\_



DATE: 7/3/2006

TO: BRAD COGGINS

SUBJECT: FIRST UNITED METHODIST CHURCH POL. 1196-415

FROM: COMMERCIAL LINES

ATTACHED IS ONE CERTIFIED COPY OF THE ABOVE INSURED'S POLICY.

AS REQUESTED BY: BRAD COGGINS

IF WE CAN BE OF ANY FURTHER ASSISTANCE TO YOU, PLEASE LET US KNOW.



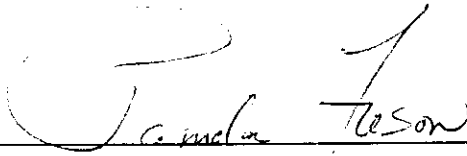
This is to certify that the attached Memorandum of Policy No. 1196-415 of the

GuideOne Specialty Mutual Insurance Company

issued to FIRST UNITED METHODIST CHURCH

located at 405 EAST THREE NOTCH ST., PO BOX 1066, ANDALUSIA AL 36420

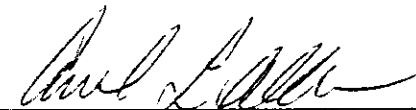
is a replica representing the original policy. The original insuring agreement was sent to the policyholder or mortgagee.

  
\_\_\_\_\_  
UNDERWRITING DIVISION

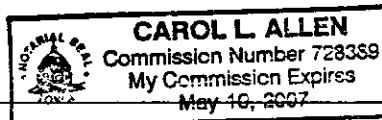
STATE OF IOWA

COUNTY OF POLK

Sworn to before me the 3<sup>RD</sup> day of JULY, 2006

  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires \_\_\_\_\_



A N N U A L R E N E W A L C E R T I F I C A T E

NAMED INSURED  
FIRST UNITED METHODIST CHURCH  
405 EAST THREE NOTCH STREET  
PO BOX 1066

ANDALUSIA AL 36420

POLICY NO. 1196-415  
PRODUCER NAME AND ADDRESS  
O'NEAL AGENCY INC  
105 O'NEAL COURT  
ANDALUSIA AL 36420

01-700 (01 ) (334) 222-3111  
ADMIN. 14-666

RENEWAL PERIOD: FROM 01/01/2005 TO 01/01/2006

VALUABLE - ATTACH THIS CERTIFICATE TO YOUR POLICY.

IN RETURN FOR THE PAYMENT OF THE TOTAL PREMIUM SHOWN ON THE COMMON POLICY DECLARATIONS, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, THE ABOVE NUMBERED POLICY IS RENEWED FOR THE PERIOD SHOWN ABOVE. THE POLICY IS BEING RENEWED IN ACCORDANCE WITH RATES AND RULES IN EFFECT ON THE DATE OF RENEWAL.

ATTACHED TO AND MADE A PART OF THIS CERTIFICATE ARE COMMON POLICY DECLARATIONS AND CONDITIONS, APPROPRIATE COVERAGE PART DECLARATIONS AND SUPPLEMENTS, AND CURRENT EDITIONS OF FORMS IF EARLIER EDITIONS WERE REVISED DURING THE PREVIOUS PERIOD. THIS CERTIFICATE HAS THE SAME EFFECT AS WRITING A NEW POLICY WITH THE SAME PROVISIONS, CONDITIONS AND INSURING AGREEMENTS. COVERAGE PARTS OF THIS RENEWAL WILL BE BROADENED IN ACCORDANCE WITH THE LIBERALIZATION CONDITION APPLYING TO THOSE SAME COVERAGE PARTS OF THE POLICY BEING RENEWED.

INFORMATION SUCH AS CLASSIFICATIONS, LIMITS OR EXPOSURES IS THE SAME FOR THIS RENEWAL PERIOD AS FOR THE PREVIOUS PERIOD UNLESS OTHERWISE SPECIFIED. CHANGES, IF ANY, ARE SHOWN ON THE ATTACHED COVERAGE PART DECLARATIONS OR SUPPLEMENTS.

GuideOne Insurance  
1111 ASHWORTH ROAD  
WEST DES MOINES, IOWA 50265-3538

GuideOne Specialty Mutual  
Insurance Company

## COMMON POLICY DECLARATIONS

NAMED INSURED		POLICY NO. 1196-415	RENEWAL
FIRST UNITED METHODIST CHURCH		PRODUCER NAME AND ADDRESS	
405 EAST THREE NOTCH STREET		O'NEAL AGENCY INC	
PO BOX 1066		105 O'NEAL COURT	
ANDALUSIA		AL	36420
AL		36420	01-700 (01 ) (334)222-3111
		ADMIN. 14-666	

POLICY PERIOD: FROM 01/01/2005 TO 01/01/2006  
AT 12:01 A.M. STANDARD TIME AT YOUR MAILING ADDRESS SHOWN ABOVE.

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

THIS POLICY CONSISTS OF THE FOLLOWING COVERAGE PARTS FOR WHICH A PREMIUM IS INDICATED. THIS PREMIUM MAY BE SUBJECT TO ADJUSTMENT.

COMMERCIAL PROPERTY COVERAGE PART \$ 18,470.00

FORMS APPLICABLE:

SEE COMMON POLICY DECLARATIONS SUPPLEMENT

COMMERCIAL GENERAL LIABILITY COVERAGE PART \$ 2,487.00

FORMS APPLICABLE:

SEE COMMON POLICY DECLARATIONS SUPPLEMENT

COMMERCIAL CRIME COVERAGE PART \$ 512.00

FORMS APPLICABLE: CR0001/1090 CR0003/0186  
CR0004/1090 PCR2610/0396

COMMERCIAL INLAND MARINE COVERAGE PART \$ .00

FORMS APPLICABLE:

MECHANICAL, ELECTRICAL AND PRESSURE EQUIPMENT COVERAGE PART \$ .00

FORMS APPLICABLE:

COVERAGE INCLUDED IN PROPERTY - SEE FORM PCP7357

FORMS APPLICABLE TO MORE THAN ONE COVERAGE PART:

\*CP16373/0104 IL0003/0702 IL0021/0702  
IL0960/1102 PIL2200/1098 PIL7209/0790

TOTAL PREMIUM OF \$21,469.00.

COUNTERSIGNED 11/15/2004 BY \_\_\_\_\_  
(DATE) (AUTHORIZED REPRESENTATIVE)

GuideOne Insurance  
1111 ASHWORTH ROAD  
WEST DES MOINES, IOWA 50265-3538  
(515)267-5000

GuideOne Specialty Mutual  
Insurance Company

11/15/2004

PJDL 71 00 07 89

COMMON POLICY DECLARATIONS  
SUPPLEMENT

POLICY EFFECTIVE 01/01/2005 POLICY NO. 1196-415

NAMED INSURED FIRST UNITED METHODIST CHURCH

COVERAGE PART FORM SCHEDULE

COMMERCIAL PROPERTY COVERAGE PART

FORMS APPLICABLE: \*CP0030/0402 CP1040/0899  
CP1218/0695 CP1410/0695 PCP2310/0396  
\*PCP2311/0304 \*PCP2314/0304 PCP7306/0885  
PCP7352/1098 \*PCP7357/0304

COMMERCIAL GENERAL LIABILITY COVERAGE PART

FORMS APPLICABLE: CG0057/0999 CG0062/1202  
CG2147/0798 CG2172/1202 CG2176/1102  
CP12002/0398 \*GCG0551/0203 PCG2510/0899  
PCG7543/0203 PCG7577/0298 PCG7578/1197

11/15/2004

PJDL 71 00 07 89

DATE: 11/15/04  
POLICYHOLDER: FIRST UNITED METHODIST CHURCH  
CORPORATE ID: 1184-970  
POLICY NUMBER: 1196-415

POLICYHOLDER DISCLOSURE  
NOTICE OF TERRORISM INSURANCE COVERAGE

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THE TERRORISM RISK INSURANCE ACT OF 2002 ESTABLISHES A PROGRAM WITHIN THE DEPARTMENT OF THE TREASURY, UNDER WHICH THE FEDERAL GOVERNMENT SHARES, WITH THE INSURANCE INDUSTRY, THE RISK OF LOSS FROM FUTURE TERRORIST ATTACKS. THE ACT APPLIES WHEN THE SECRETARY OF THE TREASURY CERTIFIES THAT AN EVENT MEETS THE DEFINITION OF AN ACT OF TERRORISM. THE ACT PROVIDES THAT, TO BE CERTIFIED, AN ACT OF TERRORISM MUST CAUSE PROPERTY AND CASUALTY INSURANCE LOSSES, IN THE AGGREGATE, TO THE INSURANCE INDUSTRY, OF AT LEAST FIVE MILLION DOLLARS AND MUST HAVE BEEN COMMITTED BY AN INDIVIDUAL OR INDIVIDUALS ACTING ON BEHALF OF ANY FOREIGN PERSON OR FOREIGN INTEREST TO COERCE THE GOVERNMENT OR POPULATION OF THE UNITED STATES.

COVERAGE FOR ACTS OF TERRORISM IS ALREADY INCLUDED IN YOUR CURRENT POLICY. UNDER YOUR EXISTING COVERAGE, ANY LOSSES CAUSED BY CERTIFIED ACTS OF TERRORISM WOULD BE PARTIALLY REIMBURSED BY THE UNITED STATES UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. UNDER THIS FORMULA, THE UNITED STATES GOVERNMENT, DEPARTMENT OF THE TREASURY PAYS 90% OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURANCE COMPANY PROVIDING THE COVERAGE. THE PORTION OF YOUR ANNUAL PREMIUM THAT IS ATTRIBUTABLE TO COVERAGE FOR ACTS OF TERRORISM IS \$162.00.

YOU MAY REJECT THE OFFER BY CHECKING THE APPROPRIATE BOX AND SIGNING THE STATEMENT BELOW AND RETURNING IT TO US, AND YOUR POLICY WILL BE ENDORSED TO EXCLUDE THE DESCRIBED COVERAGE.

☐ I ACCEPT THE OFFER FOR TERRORISM COVERAGE AS EXPLAINED IN THIS NOTICE.

☐ I REJECT THE OFFER FOR TERRORISM COVERAGE AS EXPLAINED IN THIS NOTICE.  
☐ I UNDERSTAND THAT I AM ALSO REJECTING CERTIFIED TERRORISM COVERAGE FOR ANY APPLICABLE UMBRELLA AND/OR BUSINESS AUTO POLICY(S).

-----  
APPLICANT'S SIGNATURE

-----  
DATE

CP 16373 01 04  
PAGE 1 OF 1

## **CALCULATION OF PREMIUM**

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**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

This endorsement modifies insurance provided under the following:

BOILER AND MACHINERY COVERAGE PART  
CAPITAL ASSETS PROGRAM (OUTPUT POLICY) COVERAGE PART  
COMMERCIAL AUTOMOBILE COVERAGE PART  
COMMERCIAL GENERAL LIABILITY COVERAGE PART  
COMMERCIAL INLAND MARINE COVERAGE PART  
COMMERCIAL PROPERTY COVERAGE PART  
CRIME AND FIDELITY COVERAGE PART  
EMPLOYMENT-RELATED PRACTICES LIABILITY COVERAGE PART  
FARM COVERAGE PART  
LIQUOR LIABILITY COVERAGE PART  
OWNERS AND CONTRACTORS PROTECTIVE LIABILITY COVERAGE PART  
POLLUTION LIABILITY COVERAGE PART  
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART  
PROFESSIONAL LIABILITY COVERAGE PART  
RAILROAD PROTECTIVE LIABILITY COVERAGE PART

The following is added:

The premium shown in the Declarations was computed based on rates in effect at the time the policy was issued. On each renewal, continuation, or anniversary of the effective date of this policy, we will compute the premium in accordance with our rates and rules then in effect.

"Source material", "special nuclear material", and "by-product material" have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof.

"Spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a "nuclear reactor".

"Waste" means any waste material (a) containing "by-product material" other than the tailings or wastes produced by the extraction or concentration of uranium or thorium from any ore processed primarily for its "source material" content, and (b) resulting from the operation by any person or organization of any "nuclear facility" included under the first two paragraphs of the definition of "nuclear facility".

"Nuclear facility" means:

- (a) Any "nuclear reactor";
- (b) Any equipment or device designed or used for (1) separating the isotopes of uranium or plutonium, (2) processing or utilizing "spent fuel", or (3) handling, processing or packaging "waste";

(c) Any equipment or device used for the processing, fabricating or alloying of "special nuclear material" if at any time the total amount of such material in the custody of the "insured" at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235;

(d) Any structure, basin, excavation, premises or place prepared or used for the storage or disposal of "waste";

and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations.

"Nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material.

"Property damage" includes all forms of radioactive contamination of property.

## NUCLEAR ENERGY LIABILITY EXCLUSION ENDORSEMENT (BROAD FORM)

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

This endorsement modifies insurance provided under the following:

COMMERCIAL AUTOMOBILE COVERAGE PART  
COMMERCIAL GENERAL LIABILITY COVERAGE PART  
FARM COVERAGE PART  
LIQUOR LIABILITY COVERAGE PART  
OWNERS AND CONTRACTORS PROTECTIVE LIABILITY COVERAGE PART  
POLLUTION LIABILITY COVERAGE PART  
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART  
PROFESSIONAL LIABILITY COVERAGE PART  
RAILROAD PROTECTIVE LIABILITY COVERAGE PART  
UNDERGROUND STORAGE TANK POLICY

**1. The insurance does not apply:**

**A. Under any Liability Coverage, to "bodily injury" or "property damage":**

- (1) With respect to which an "insured" under the policy is also an insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters, Nuclear Insurance Association of Canada or any of their successors, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability; or
- (2) Resulting from the "hazardous properties" of "nuclear material" and with respect to which (a) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, or (b) the "insured" is, or had this policy not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization.

**B. Under any Medical Payments coverage, to expenses incurred with respect to "bodily injury" resulting from the "hazardous properties" of "nuclear material" and arising out of the operation of a "nuclear facility" by any person or organization.**

**C. Under any Liability Coverage, to "bodily injury" or "property damage" resulting from the "hazardous properties" of "nuclear material," if:**

- (1) The "nuclear material" (a) is at any "nuclear facility" owned by, or operated by or on behalf of, an "insured" or (b) has been discharged or dispersed therefrom;
- (2) The "nuclear material" is contained in "spent fuel" or "waste" at any time possessed, handled, used, processed, stored, transported or disposed of, by or on behalf of an "insured"; or
- (3) The "bodily injury" or "property damage" arises out of the furnishing by an "insured" of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any "nuclear facility," but if such facility is located within the United States of America, its territories or possessions or Canada, this exclusion (3) applies only to "property damage" to such "nuclear facility" and any property thereat.

**2. As used in this endorsement:**

"Hazardous properties" include radioactive, toxic or explosive properties.

"Nuclear material" means "source material", "Special nuclear material" or "by-product material".

any clause which results in a cap on our liability for payments for terrorism losses.

**D. Application Of Other Exclusions**

The terms and limitations of any terrorism exclusion, or the inapplicability or omission of

a terrorism exclusion, do not serve to create coverage for any loss which would otherwise be excluded under this Coverage Part or Policy, such as losses excluded by the Nuclear Hazard Exclusion or the War And Military Action Exclusion.

## **EXCLUSION OF ACTS OF BIOLOGICAL OR CHEMICAL TERRORISM; CAP ON LOSSES FROM CERTIFIED ACTS OF TERRORISM**

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**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

This endorsement modifies insurance provided under the following:

BOILER AND MACHINERY COVERAGE PART  
COMMERCIAL CRIME COVERAGE FORM  
COMMERCIAL CRIME POLICY  
COMMERCIAL INLAND MARINE COVERAGE PART  
COMMERCIAL PROPERTY COVERAGE PART  
EMPLOYEE THEFT AND FORGERY POLICY  
FARM COVERAGE PART  
GOVERNMENT CRIME COVERAGE FORM  
GOVERNMENT CRIME POLICY  
KIDNAP/RANSOM AND EXTORTION COVERAGE FORM  
KIDNAP/RANSOM AND EXTORTION POLICY  
STANDARD PROPERTY POLICY

**A.** The following definitions are added with respect to the provisions of this endorsement:

1. "Certified act of terrorism" means an act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism pursuant to the federal Terrorism Risk Insurance Act of 2002. The criteria contained in that Act for a "certified act of terrorism" include the following:

- a. The act resulted in aggregate losses in excess of \$5 million; and
- b. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

2. "Other act of terrorism" means a violent act or an act that is dangerous to human life, property or infrastructure that is committed by an individual or individuals and that appears to be part of an effort to coerce a civilian population or to influence the policy or affect the conduct of any government by coercion, and the act is not certified as a terrorist act pursuant to the federal Terrorism Risk

Insurance Act of 2002. However, "other act of terrorism" does not include an act which meets the criteria set forth in Paragraph b. of the definition of "certified act of terrorism", when such act resulted in aggregate losses of \$5 million or less.

**B.** The following exclusion is added:

### **Exclusion Of An "Other Act Of Terrorism"**

We will not pay for loss or damage caused directly or indirectly by an "other act of terrorism". Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss. But this exclusion applies only when one or more of the following are attributed to such act:

1. The terrorism is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
2. Pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the terrorism was to release such materials.

**C.** **Cap On Certified Terrorism Losses**

With respect to any one or more "certified acts of terrorism" under the federal Terrorism Risk Insurance Act of 2002, we will not pay any amounts for which we are not responsible under the terms of the Act (including subsequent action of Congress pursuant to the Act) due to the application of

except in the case of death of an individual Named Insured. If you die, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties but only with respect to that property.

**G. UNINTENTIONAL ERRORS OR OMISSIONS**

Failure by you to disclose all hazards existing as of the inception date of the policy shall not

prejudice you with respect to the coverage afforded by this policy, provided such failure or any omission is not intentional.

**H. KNOWLEDGE OF AN OCCURRENCE**

It is understood and agreed that knowledge of an occurrence by your agent, or any servant or employee of yours, shall not in itself constitute knowledge by you, unless an executive officer of your corporation shall have received such notice from its agent, servant or employee.

**MUTUAL POLICY CONDITIONS**

**GuideOne Mutual Insurance Company**

**GuideOne Specialty Mutual Insurance Company**

Because this policy is issued by a mutual insurance company, you are a member of the Company issuing the policy while this or any other policy is in force. While a member you are entitled to one vote only - either in person or by proxy - at meetings of members of the Company.

The Annual Meetings at **GuideOne Mutual Insurance Company** are held at its Home Office on the fourth Thursday of January in each year, at 10:00 a.m.

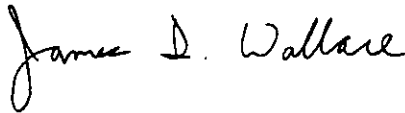
The Annual Meetings of **GuideOne Specialty Mutual Insurance Company** are held at its Home Office on the third Friday of January in each year, at 2:00 p.m.

**PARTICIPATION CLAUSE WITHOUT CONTINGENT LIABILITY:** No Contingent Liability: This policy is nonassessable. As the policyholder, you are a member of the Company and shall participate, to the extent and upon the conditions fixed and determined by the Board of Directors in accordance with the provisions of law, in the distribution of dividends so fixed and determined.

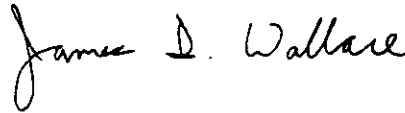
**IN WITNESS WHEREOF**, the Company issuing this policy has executed and attested these presents; but this policy shall not be valid unless countersigned by the duly authorized Agent of the Company at the agency hereinbefore mentioned.

GuideOne Mutual Insurance Company  
GuideOne Elite Insurance Company  
GuideOne America Insurance Company

GuideOne Specialty Mutual Insurance Company



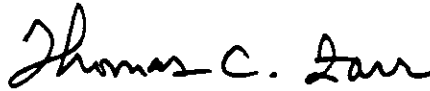
President



President



Secretary



Secretary

## COMMON POLICY CONDITIONS

### CORNERSTONE PLUS

All Coverage Parts included in this policy are subject to the following conditions:

#### A. CANCELLATION

1. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.
2. We may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:
  - a. 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
  - b. 60 days before the effective date of cancellation if we cancel for any other reason than nonpayment of premium.
3. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.
4. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
5. If this policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund may be less than pro rata. The cancellation will be effective even if we have not made or offered a refund.
6. If notice is mailed, proof of mailing will be sufficient proof of notice.

#### B. CHANGES

This policy contains all the agreements between you and us concerning the insurance afforded. The first Named Insured shown in the Declarations is authorized to make changes in the terms of this policy with our consent. This policy's terms can be amended or waived only by endorsement issued by us and made a part of this policy.

#### C. EXAMINATION OF YOUR BOOKS AND RECORDS

We may examine and audit your books and records as they relate to this policy at any time during the policy period and up to three years afterward.

#### D. INSPECTIONS AND SURVEYS

1. We have the right to:
  - a. Make inspections and surveys at any time;
  - b. Give you reports on the conditions we find; and
  - c. Recommend changes.
2. We are not obligated to make any inspections, surveys, reports or recommendations and any such actions we do undertake relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. And we do not warrant that conditions:
  - a. Are safe or healthful; or
  - b. Comply with laws, regulations, codes or standards.
3. Paragraph 1. and 2. of this condition applies not only to us, but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations.
4. Paragraph 2. of this condition does not apply to any inspections, surveys, reports or recommendations we may make relative to certification, under state or municipal statutes, ordinances or regulations, of boilers, pressure vessels or elevators.

#### E. PREMIUMS

The first Named Insured shown in the Declarations:

1. Is responsible for the payment of all premiums; and
2. Will be the payee for any return premiums we pay.

#### F. TRANSFER OF YOUR RIGHTS AND DUTIES UNDER THIS POLICY

Your rights and duties under this policy may not be transferred without our written consent

## **AMENDATORY DEDUCTIBLE ENDORSEMENT**

---

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

All Coverage Parts included in this policy are subject to the following:

Except as provided in the next paragraph, if two or more coverages of this policy apply to loss or damage arising out of any one occurrence, we will pay for loss or damage that exceeds the largest single deductible of any coverage that applies to the loss or damage. We will not pay more than the actual loss or damage.

This endorsement does not apply to **CAUSES OF LOSS — EARTHQUAKE FORM**. If that form applies to this policy, its **DEDUCTIBLE** provision will apply to loss or damage caused by or resulting from **Earthquake or Volcanic Eruption**.

C O M M E R C I A L P R O P E R T Y C O V E R A G E P A R T  
D E C L A R A T I O N S P A G EPOLICY EFFECTIVE 01/01/2005 POLICY NO. 1196-415  
NAMED INSURED FIRST UNITED METHODIST CHURCH-----  
BLANKET SCHEDULE  
-----

BLANKET NUMBER 001

BLANKET LIMIT OF INSURANCE FOR INCLUDED PROPERTY PER SCHEDULE IN  
COMPANY FILE IS \$6,806,200. BUILDING AND PERSONAL PROPERTY BLANKET  
VALUE PERCENTAGE IS 100%.

AGREED VALUE LIMIT OF INSURANCE IS THE BLANKET LIMIT AMOUNT SHOWN  
FOR ALL BUILDINGS AND PERSONAL PROPERTY INCLUDED IN THE BLANKET.

RISK	PREMISES	BUILDING
001	001	001
001	007	001
004	004	001

C O M M E R C I A L P R O P E R T Y C O V E R A G E P A R T  
D E C L A R A T I O N S P A G E

POLICY EFFECTIVE 01/01/2005 POLICY NO. 1196-415  
NAMED INSURED FIRST UNITED METHODIST CHURCH

-----  
DESCRIPTION OF PREMISES AND COVERAGES PROVIDED  
THIS POLICY COVERS THE PROPERTY LISTED BELOW.  
-----

RISK NO. 001  
PREMISES NO. 001 BUILDING NO. 001  
CONSTRUCTION JOISTED MASONRY  
OCCUPANCY CHURCH  
PREMISES ADDRESS  
405 EAST THREE NOTCH STREET

ANDALUSIA	COVINGTON	AL 36420
	BUILDING	PERSONAL PROPERTY
LIMIT OF INSURANCE	INCLUDED	INCLUDED
CAUSE OF LOSS FORM	SPECIAL INCLUDING THEFT	SPECIAL INCLUDING THEFT
COINSURANCE	100%	100%
DEDUCTIBLE	\$1000	\$1000
OPTIONAL COVERAGES	AGREED VALUE	AGREED VALUE
	REPLACEMENT COST	REPLACEMENT COST

-----  
RISK NO. 001  
PREMISES NO. 007 BUILDING NO. 001 ADDITIONAL INTEREST APPLIES  
CONSTRUCTION JOISTED MASONRY  
OCCUPANCY OFFICE/EDUCATION  
PREMISES ADDRESS

BUILDING		
403 EAST THREE NOTCH STREET		
ANDALUSIA	COVINGTON	AL 36420
	BUILDING	PERSONAL PROPERTY
LIMIT OF INSURANCE	INCLUDED	INCLUDED
CAUSE OF LOSS FORM	SPECIAL INCLUDING THEFT	SPECIAL INCLUDING THEFT
COINSURANCE	100%	100%
DEDUCTIBLE	\$1000	\$1000
OPTIONAL COVERAGES	AGREED VALUE	AGREED VALUE
	REPLACEMENT COST	REPLACEMENT COST

-----  
RISK NO. 002  
PREMISES NO. 002 BUILDING NO. 001 DELETED AS OF 01/01/2003  
CONSTRUCTION BRICK VENEER  
OCCUPANCY PARSONAGE  
PREMISES ADDRESS  
207 4TH AVENUE

ANDALUSIA	COVINGTON	AL 36420
	BUILDING	PERSONAL PROPERTY
LIMIT OF INSURANCE		
CAUSE OF LOSS FORM		
COINSURANCE		
DEDUCTIBLE		

CONTINUED ON THE NEXT PAGE

COMMERCIAL PROPERTY COVERAGE PART  
DECLARATIONS PAGE

POLICY EFFECTIVE 01/01/2005 POLICY NO. 1196-415  
NAMED INSURED FIRST UNITED METHODIST CHURCH

-----  
DESCRIPTION OF PREMISES AND COVERAGES PROVIDED  
-----

RISK NO. 004  
PREMISES NO. 004 BUILDING NO. 001  
CONSTRUCTION NONCOMBUSTIBLE  
OCCUPANCY YOUTH BUILDING  
PREMISES ADDRESS  
540 EAST THREE NOTCH STREET

ANDALUSIA	COVINGTON	AL 36420
	BUILDING	PERSONAL PROPERTY
LIMIT OF INSURANCE	INCLUDED	
CAUSE OF LOSS FORM	SPECIAL INCLUDING THEFT	
COINSURANCE	100%	
DEDUCTIBLE	\$1000	
OPTIONAL COVERAGES	AGREED VALUE	
	REPLACEMENT COST	

C O M M E R C I A L P R O P E R T Y C O V E R A G E P A R T  
D E C L A R A T I O N S P A G E

POLICY EFFECTIVE 01/01/2005  
NAMED INSURED FIRST UNITED METHODIST CHURCH

POLICY NO. 1196-415

OPTIONAL COVERAGE FORMS

FORM CP1040/0899  
EARTHQUAKE AND VOLCANIC ERUPTION ENDORSEMENT

SCHEDULE

THIS FORM APPLIES TO THE FOLLOWING PROPERTY:

RISK-PREMISES-BLDG NUMBERS	COVERAGE DESCRIPTION	DED % OR AMOUNT
1-1-1	B & PP	10%

FORM CP1410/0695  
ADDITIONAL COVERED PROPERTY

SCHEDULE

PREM/ BLDG NO.	PARAGRAPH REFERENCE	DESC OF PROPERTY	TYPE OF PROPERTY COVERAGE (ENTER BLDG OR P.P.)
	2. G.	FOUNDATIONS OF BUILDINGS, STRUCTURES, MACHINERY OR BOILERS IF THEIR FOUNDATIONS ARE BELOW: (1) THE LOWEST BASEMENT FLOOR; OR (2) THE SURFACE OF THE GROUND, IF THERE IS NO BASEMENT.	

FORM CP0030/0402  
BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM

SCHEDULE

LIMIT OF INSURANCE IS \$ WITH  
COINSURANCE OF %.

THIS FORM APPLIES TO THE FOLLOWING PREMISES AND BUILDINGS:  
SEE THE COMMERCIAL PROPERTY COVERAGE PART DECLARATIONS PAGE.

OPTIONAL COVERAGES (IF ANY) ARE INDICATED BY AN "X" BELOW:

1. MAXIMUM PERIOD OF INDEMNITY.
2. MONTHLY LIMIT OF INDEMNITY FRACTION IS
3. AGREED VALUE IS \$
4. EXTENDED PERIOD OF INDEMNITY IS DAYS.

CONTINUED ON THE NEXT PAGE

COMMERCIAL PROPERTY COVERAGE PART  
DECLARATIONS PAGE

POLICY EFFECTIVE 01/01/2005 POLICY NO. 1196-415 -415  
NAMED INSURED FIRST UNITED METHODIST CHURCH

OPTIONAL COVERAGE FORMS

FORM CP0030/0402  
BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM

5. BUSINESS INCOME INCLUDING RENTAL VALUE.
6. BUSINESS INCOME OTHER THAN RENTAL VALUE.
7. RENTAL VALUE.

S T A T E M E N T O F V A L U E S

POLICY EFFECTIVE 01/01/2005

POLICY NO. 1196-415

NAMED INSURED FIRST UNITED METHODIST CHURCH  
405 EAST THREE NOTCH STREET  
PO BOX 1066

ANDALUSIA AL 36420

-----  
INSTRUCTIONS  
-----

1. THE VALUES SHOWN ON THE ATTACHED PAGES MUST BE ACTUAL CASH VALUES (100%) OR REPLACEMENT COST VALUES (100%) AND SHOULD REFLECT THE BASIS OF COVERAGE FOR EACH BUILDING, PERSONAL PROPERTY OF THE INSURED OR BOTH.
2. THE VALUES SHALL BE SUBMITTED TO THE INSURANCE COMPANY AND SUBJECT TO ITS ACCEPTANCE.
3. NOTHING CONTAINED IN THESE INSTRUCTIONS SHALL BE CONSTRUED AS CHANGING IN ANY MANNER THE CONDITIONS OF THE POLICY.
4. THE COMPANY MAY REQUIRE THIS STATEMENT OF VALUES TO BE SIGNED BY THE INSURED, OR IN THE CASE OF FIRMS, BY A PARTNER OR AN OFFICER.

THIS "STATEMENT OF VALUES" IS FILED WITH THE DESIGNATED COMPANY LISTED BELOW.

ALL VALUES SUBMITTED ARE CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

SIGNED \_\_\_\_\_

(SIGNATURE OF AUTHORIZED REPRESENTATIVE)

TITLE \_\_\_\_\_

DATE \_\_\_\_\_

GuideOne Insurance  
1111 ASHWORTH ROAD  
WEST DES MOINES, IOWA 50265-3538  
(515) 267-5000

GuideOne Specialty Mutual  
Insurance Company

11/15/2004

CP11927 (789)

## S T A T E M E N T O F V A L U E S

POLICY EFFECTIVE 01/01/2005 POLICY NO. 1196-415

NAMED INSURED FIRST UNITED METHODIST CHURCH

PREMISES AND DESCRIPTION OF PROPERTY 100% VALUES

ACTUAL CASH VALUE REPLACEMENT COST

-----

RISK NO. 001  
 PREMISES NO. 001 BUILDING NO. 001  
 CONSTRUCTION JOISTED MASONRY  
 OCCUPANCY CHURCH  
 PREMISES ADDRESS  
 405 EAST THREE NOTCH STREET

ANDALUSIA COVINGTON AL 36420  
 BUILDING LIMIT \$4,161,000  
 PERSONAL PROPERTY \$749,000

-----

RISK NO. 001  
 PREMISES NO. 007 BUILDING NO. 001  
 CONSTRUCTION JOISTED MASONRY  
 OCCUPANCY OFFICE/EDUCATION  
 PREMISES ADDRESS

BUILDING  
 403 EAST THREE NOTCH STREET  
 ANDALUSIA COVINGTON AL 36420  
 BUILDING LIMIT \$1,351,000  
 PERSONAL PROPERTY \$243,200

-----

RISK NO. 004  
 PREMISES NO. 004 BUILDING NO. 001  
 CONSTRUCTION NONCOMBUSTIBLE  
 OCCUPANCY YOUTH BUILDING  
 PREMISES ADDRESS  
 540 EAST THREE NOTCH STREET

ANDALUSIA COVINGTON AL 36420  
 BUILDING LIMIT \$302,000  
 PERSONAL PROPERTY

-----

# BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section G. -- **Definitions**.

## A. Coverage

### 1. Business Income

Business Income means the:

- a. Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred; and
- b. Continuing normal operating expenses incurred, including payroll.

For manufacturing risks, Net Income includes the net sales value of production.

Coverage is provided as described and limited below for one or more of the following options for which a Limit of Insurance is shown in the Declarations:

- a. Business Income including "Rental Value".
- b. Business Income other than "Rental Value".
- c. "Rental Value".

If option a. above is selected, the term Business Income will include "Rental Value". If option c. above is selected, the term Business Income will mean "Rental Value" only.

If Limit of Insurance are shown under more than one of the above options, the provisions of this Coverage Part apply separately to each.

We will pay for the actual loss of Business Income you sustain due to the necessary "suspension" of your "operations" during the "period of restoration." The "suspension" must be caused by direct physical loss of or damage to property at premises which are

described in the Declarations and for which a Business Income Limit of Insurance is shown in the Declarations. The loss or damage must be caused by or result from a Covered Cause of Loss. With respect to loss of or damage to personal property in the open or personal property in a vehicle, the described premises include the area within 100 feet of the site at which the described premises are located.

With respect to the requirements set forth in the preceding paragraph, if you occupy only part of the site at which the described premises are located, your premises means:

- a. The portion of the building which you rent, lease or occupy; and
- b. Any area within the building or on the site at which the described premises are located, if that area services, or is used to gain access to, the described premises.

### 2. Extra Expense

- a. Extra Expense coverage is provided at the premises described in the Declarations only if the Declarations show that Business Income coverage applies at that premises.
- b. Extra Expense means necessary expenses you incur during the "period of restoration" that you would not have incurred if there had been no direct physical loss or damage to property caused by or resulting from a Covered Cause of Loss.

We will pay Extra Expense (other than the expense to repair or replace property) to:

- (1) Avoid or minimize the "suspension" of business and to

continue operations at the described premises or at replacement premises or temporary locations, including relocation expenses and costs to equip and operate the replacement location or temporary location.

- (2) Minimize the "suspension" of business if you cannot continue "operations".

We will also pay Extra Expense to repair or replace property, but only to the extent it reduces the amount of loss that otherwise would have been payable under this Coverage Form.

### 3. Covered Causes Of Loss, Exclusions And Limitations

See applicable Causes of Loss Form as shown in the Declarations.

### 4. Additional Limitation -- Interruption of Computer Operations

- a. Coverage for Business Income does not apply when a "suspension" of "operations" is caused by destruction or corruption of electronic data, or any loss or damage to electronic data, except as provided under the Additional Coverage -- Interruption of Computer Operations.
- b. Coverage for Extra Expense does not apply when action is taken to avoid or minimize a "suspension" of "operations" caused by destruction or corruption of electronic data, or any loss or damage to electronic data, except as provided under the Additional Coverage -- Interruption of Computer Operations.
- c. Electronic data means information, facts or computer programs stored as or on, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment. The term computer programs, referred to in the foregoing description of electronic data, means

a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data.

## 5. Additional Coverages

### a. Civil Authority

We will pay for the actual loss of Business Income you sustain and necessary Extra Expense caused by action of civil authority that prohibits access to the described premises due to direct physical loss of or damage to property, other than at the described premises, caused by or resulting from any Covered Cause of Loss.

The coverage for Business Income will begin 72 hours after the time of that action and will apply for a period of up to three consecutive weeks after coverage begins.

The coverage for Extra Expense will begin immediately after the time of that action and will end:

- (1) 3 consecutive weeks after the time of that action; or
- (2) When your Business Income coverage ends;

whichever is later.

### b. Alterations And New Buildings

We will pay for the actual loss of Business Income you sustain and necessary Extra Expense you incur due to direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss to:

- (1) New buildings or structures, whether complete or under construction;
- (2) Alterations or additions to existing buildings or structures; and
- (3) Machinery, equipment, supplies or building materials located on or within 100 feet of the described premises and:

(a) Used in the construction, alterations or additions; or

(b) Incidental to the occupancy of new buildings.

If such direct physical loss or damage delays the start of "operations," the "period of restoration" for Business Income Coverage will begin on the date "operations" would have begun if the direct physical loss or damage had not occurred.

**c. Extended Business Income**

(1) Business Income other than "Rental Value"

If the necessary "suspension" of your "operations" produces a Business Income loss payable under this policy, we will pay for the actual loss of Business Income you incur during the period that:

(a) Begins on the date property (except "finished stock") is actually repaired, rebuilt or replaced and "operations" are resumed; and

(b) Ends on the earlier of:

(i) The date you could restore your "operations", with reasonable speed, to the level which would generate the business income amount that would have existed if no direct physical loss or damage had occurred; or

(ii) 30 consecutive days after the date determined in (1)(a) above.

However, Extended Business Income does not apply to loss of Business Income incurred as a result of unfavorable business conditions caused by the impact of the Covered Cause of Loss in the area where the described premises are located.

Loss of Business Income must be caused by direct physical loss

or damage at the described premises caused by or resulting from any Covered Cause of Loss.

**(2) "Rental Value"**

If the necessary "suspension" of your "operations" produces a "Rental Value" loss payable under this policy, we will pay for the actual loss of "Rental Value" you incur during the period that:

(a) Begins on the date property is actually repaired, rebuilt or replaced and tenantability is restored; and

(b) Ends on the earlier of:

(i) The date you could restore tenant occupancy, with reasonable speed, to the level which would generate the "Rental Value" that would have existed if no direct physical loss or damage had occurred; or

(ii) 30 consecutive days after the date determined in (2)(a) above.

However, Extended Business Income does not apply to loss of "Rental Value" incurred as a result of unfavorable business conditions caused by the impact of the Covered Cause of Loss in the area where the described premises are located.

Loss of "Rental Value" must be caused by direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss.

**d. Interruption of Computer Operations**

(1) Under this Additional Coverage, electronic data has the meaning described under Additional Limitation -- Interruption of Computer Operations.

(2) Subject to all provisions of this Additional Coverage, you may extend the insurance that applies to Business Income and Extra Expense to apply to a "suspension" of "operations" caused by an interruption in computer operations due to destruction or corruption of electronic data due to a covered Cause of Loss.

(3) With respect to the coverage provided under this Additional Coverage, the Covered Causes of Loss are subject to the following:

(a) If the Causes of Loss -- Special Form applies, coverage under this Additional Coverage -- Interruption of Computer Operations is limited to the "specified causes of loss" as defined in that Form, and Collapse as set forth in that Form.

(b) If the Causes of Loss -- Broad Form applies, coverage under this Additional Coverage -- Interruption of Computer Operations includes Collapse as set forth in that Form.

(c) If the Causes of Loss Form is endorsed to add a Covered Cause of Loss, the additional Covered Cause of Loss does not apply to the coverage provided under this Additional Coverage -- Interruption of Computer Operations.

(d) The Covered Causes of Loss include a virus, harmful code or similar instruction introduced into or enacted on a computer system (including electronic data) or a network to which it is connected, designed to damage or destroy any part of the system or disrupt its normal operation. But there is no coverage for an interruption related to manipulation of a computer system (including electronic data) by any

employee, including a temporary or leased employee, or by an entity retained by you or for you to inspect, design, install, modify, maintain, repair or replace that system.

(4) The most we will pay under this Additional Coverage -- Interruption of Computer Operations is \$2,500 for all loss sustained and expense incurred in any one policy year, regardless of the number of interruptions or the number of premises, locations or computer systems involved. If loss payment relating to the first interruption does not exhaust this amount, then the balance is available for loss or expense sustained or incurred as a result of subsequent interruptions in that policy year. A balance remaining at the end of a policy year does not increase the amount of insurance in the next policy year. With respect to any interruption which begins in one policy year and continues or results in additional loss or damage in a subsequent policy year(s), all loss and expense is deemed to be sustained or incurred in the policy year in which the interruption began.

(5) This Additional Coverage -- Interruption in Computer Operations does not apply to loss sustained or expense incurred after the end of the "period of restoration", even if the amount of insurance stated in (4) above has not been exhausted.

## 6. Coverage Extension

If a Coinsurance percentage of 50% or more is shown in the Declarations, you may extend the insurance provided by this Coverage Part as follows:

### Newly Acquired Locations

a. You may extend your Business Income and Extra Expense Coverages to apply to property at any location you acquire other than fairs or exhibitions.

b. The most we will pay under this Extension, for the sum of Business Income loss and Extra Expense incurred, is \$100,000 at each location.

c. Insurance under this Extension for each newly acquired location will end when any of the following first occurs:

- (1) This policy expires;
- (2) 30 days expire after you acquire or begin to construct the property; or
- (3) You report values to us.

We will charge you additional premium for values reported from the date you acquire the property.

This Extension is additional insurance. The Additional Condition, Coinsurance, does not apply to this Extension.

## B. Limits Of Insurance

The most we will pay for loss in any one occurrence is the applicable Limit of Insurance shown in the Declarations.

The limit applicable to the Coverage Extension is in addition to the Limit of Insurance.

Payments under the following coverages will not increase the applicable Limit of Insurance:

1. Alterations and New Buildings;
2. Civil Authority;
3. Extra Expense; or
4. Extended Business Income.

## C. Loss Conditions

The following conditions apply in addition to the Common Policy Conditions and the Commercial Property Conditions.

### 1. Appraisal

If we and you disagree on the amount of Net Income and operating expense or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser.

The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the amount of Net Income and operating expense or amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- a. Pay its chosen appraiser; and
- b. Bear the other expenses of the appraisal and umpire equally.

If there is an appraisal, we will still retain our right to deny the claim.

## 2. Duties In The Event Of Loss

a. You must see that the following are done in the event of loss:

- (1) Notify the police if a law may have been broken.
- (2) Give us prompt notice of the direct physical loss or damage. Include a description of the property involved.
- (3) As soon as possible, give us a description of how, when, and where the direct physical loss or damage occurred.
- (4) Take all reasonable steps to protect the Covered Property from further damage, and keep a record of your expenses necessary to protect the Covered Property, for consideration in the settlement of the claim. This will not increase the Limit of Insurance. However, we will not pay for any subsequent loss or damage resulting from a cause of loss that is not a Covered Cause of Loss. Also, if feasible, set the damaged property aside and in the best possible order for examination.
- (5) As often as may be reasonably required, permit us to inspect the property proving the loss or damage and examine your books and records.

Also permit us to take samples of damaged and undamaged property for inspection, testing and analysis, and permit us to make copies from your books and records.

- (6) Send us a signed, sworn proof of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.
- (7) Cooperate with us in the investigation or settlement of the claim.
- (8) If you intend to continue your business, you must resume all or part of your "operations" as quickly as possible.

- b. We may examine any insured under oath, while not in the presence of any other insured and at such times as may be reasonably required, about any matter relating to this insurance or the claim, including an insured's books and records. In the event of an examination, an insured's answers must be signed.

### 3. Loss Determination

- a. The amount of Business Income loss will be determined based on:
  - (1) The Net Income of the business before the direct physical loss or damage occurred;
  - (2) The likely Net Income of the business if no physical loss or damage had occurred, but not including any Net Income that would likely have been earned as a result of an increase in the volume of business due to favorable business conditions caused by the impact of the Covered Cause of Loss on customers or on other businesses;
  - (3) The operating expenses, including payroll expenses, necessary to resume "operations" with the same quality of service that existed just

before the direct physical loss or damage; and

- (4) Other relevant sources of information, including:

- (a) Your financial records and accounting procedures;
- (b) Bills, invoices and other vouchers; and
- (c) Deeds, liens or contacts.

- b. The amount of Extra Expense will be determined based on:

- (1) All expenses that exceed the normal operating expenses that would have been incurred by "operations" during the "period of restoration" if no direct physical loss or damage had occurred. We will deduct from the total of such expenses:

- (a) The salvage value that remains of any property bought for temporary use during the "period of restoration," once "operations" are resumed; and
- (b) Any Extra Expense that is paid for by other insurance, except for insurance that is written subject to the same plan, terms, conditions and provisions as this insurance; and

- (2) Necessary expenses that reduce the Business Income loss that otherwise would have been incurred.

### c. Resumption Of Operations

We will reduce the amount of your:

- (1) Business Income loss, other than Extra Expense, to the extent you can resume your "operations," in whole or in part, by using damaged or undamaged property (including merchandise or stock) at the described premises or elsewhere.
- (2) Extra Expense loss to the extent you can return "operations" to

normal and discontinue such Extra Expense.

- d. If you do not resume "operations," or do not resume "operations" as quickly as possible, we will pay based on the length of time it would have taken to resume "operations" as quickly as possible.

#### 4. Loss Payment

We will pay for covered loss within 30 days after we receive the sworn proof of loss, if you have complied with all of the terms of this Coverage Part and:

- a. We have reached agreement with you on the amount of loss; or
- b. An appraisal award has been made.

#### D. Additional Condition

##### Coinsurance

If a Coinsurance percentage is shown in the Declarations, the following condition applies in addition to the Common Policy Conditions and the Commercial Property Conditions.

We will not pay the full amount of any Business Income loss if the Limit of Insurance for Business Income is less than:

- a. The Coinsurance percentage shown for Business Income in the Declarations; times
- b. The sum of:
  - (1) The Net Income (Net Profit or Loss before income taxes), and
  - (2) Operating expenses, including payroll expenses,

that would have been earned or incurred (had no loss occurred) by your "operations" at the described premises for the 12 months following the inception, or last previous anniversary date, of this policy (whichever is later).

Instead, we will determine the most we will pay using the following steps:

1. Multiply the Net Income and operating expense for the 12 months following the inception, or last previous anniversary

date, of this policy by the Coinsurance percentage;

2. Divide the Limit of Insurance for the described premises by the figure determined in step 1.; and
3. Multiply the total amount of loss by the figure determined in Step 2.

We will pay the amount determined in Step 3. or the limit of insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

In determining operating expenses for the purpose of applying the Coinsurance condition, the following expenses, if applicable, shall be deducted from the total of all operating expenses.

1. Prepaid freight -- outgoing;
2. Returns and allowances;
3. Discounts;
4. Bad debts;
5. Collection expenses;
6. Cost of raw stock and factory supplies consumed (including transportation charges);
7. Cost of merchandise sold (including transportation charges);
8. Cost of other supplies consumed (including transportation charges);
9. Cost of services purchased from outsiders (not employees) to resell, that do not continue under contract;
10. Power, heat and refrigeration expenses that do not continue under contract (if Form CP 15 11 is attached);
11. All ordinary payroll expenses or the amount of payroll expense excluded (if Form CP 15 10 is attached); and
12. Special deductions for mining properties (royalties unless specifically included in coverage; actual depletion commonly known as unit or cost depletion -- not percentage depletion; welfare and retirement fund charges based on tonnage; hired trucks).

**Example No. 1 (Underinsurance):**

When: The Net Income and operating expenses for the 12 months following the inception, or last previous anniversary date, of this policy at the described premises would have been \$ 400,000

The Coinsurance percentage is 50%

The Limit of Insurance is \$ 150,000

The amount of loss is \$ 80,000

Step 1:  $\$400,000 \times 50\% = \$200,000$   
(the minimum amount of insurance to meet your Coinsurance requirements)

Step 2:  $\$150,000 \div \$200,000 = .75$

Step 3:  $\$80,000 \times .75 = \$60,000$

We will pay no more than \$60,000. The remaining \$20,000 is not covered.

**Example No. 2 (Adequate Insurance):**

When: The Net Income and operating expenses for the 12 months following the inception, or last previous anniversary date, of this policy at the described premises would have been \$ 400,000  
The Coinsurance percentage is 50%  
The Limit of Insurance is \$ 200,000  
The amount of loss is \$ 80,000

The minimum amount of insurance to meet your Coinsurance requirement is \$200,000 ( $\$400,000 \times 50\%$ ). Therefore, the Limit of Insurance in this Example is adequate and no penalty applies. We will pay no more than \$80,000 (amount of loss).

This condition does not apply to Extra Expense coverage.

**E. Optional Coverages**

If shown in the Declarations, the following Optional Coverages apply separately to each item.

**1. Maximum Period Of Indemnity**

a. The Additional Condition, Coinsurance, does not apply to this Coverage Form at the described premises to which this Optional Coverage applies.

b. The most we will pay for the total of Business Income loss and Extra Expense is the lesser of:

(1) The amount of loss sustained and expenses incurred during the 120 days immediately following the beginning of the "period of restoration"; or

(2) The Limit of Insurance shown in the Declarations.

**2. Monthly Limit Of Indemnity**

a. The Additional Condition, Coinsurance, does not apply to this Coverage Form at the described premises to which this Optional Coverage applies.

b. The most we will pay for loss of Business Income in each period of 30 consecutive days after the beginning of the "period of restoration" is:

(1) The Limit of Insurance, multiplied by

(2) The fraction shown in the Declarations for this Optional Coverage.

**Example:**

When: The Limit of Insurance is \$ 120,000

The fraction shown in the Declarations for this Optional Coverage is 1/4

The most we will pay for loss in each period of 30 consecutive days is:

$\$120,000 \times 1/4 = \$30,000$

If, in this example, the actual amount of loss is:

Days 1-30	\$ 40,000
Days 31-60	20,000
Days 61-90	30,000
	<u>\$ 90,000</u>

We will pay:

Days 1-30	\$ 30,000
Days 31-60	20,000
Days 61-90	30,000
	<u>\$ 80,000</u>

The remaining \$10,000 is not covered.

### 3. Business Income Agreed Value

a. To activate this Optional Coverage:

(1) A Business Income Report/Work Sheet must be submitted to us and must show financial data for your "operations":

(a) During the 12 months prior to the date of the Work Sheet; and

(b) Estimated for the 12 months immediately following the inception of this Optional Coverage.

(2) The Declarations must indicate that the Business Income Agreed Value Optional Coverage applies, and an Agreed Value must be shown in the Declarations. The Agreed Value should be at least equal to:

(a) The Coinsurance percentage shown in the Declarations; multiplied by

(b) The amount of Net Income and operating expenses for the following 12 months you report on the Work Sheet.

b. The Additional Condition, Coinsurance, is suspended until:

(1) 12 months after the effective date of this Optional Coverage; or

(2) The expiration date of this policy;

whichever occurs first.

c. We will reinstate the Additional Condition, Coinsurance, automatically if you do not submit a new Work Sheet and Agreed Value:

(1) Within 12 months of the effective date of this Optional Coverage; or

(2) When you request a change in your Business Income Limit of Insurance.

d. If the Business Income Limit of Insurance is less than the Agreed Value, we will not pay more of any loss than the amount of loss multiplied by:

(1) The Business Income Limit of Insurance; divided by

(2) The Agreed Value.

#### Example:

When: The Limit of Insurance is \$ 100,000

The Agreed Value is \$ 200,000

The amount of loss is \$ 80,000

Step (a):  $\$100,000 \div \$200,000 = .50$

Step (b):  $.50 \times \$80,000 = \$40,000$

We will pay \$40,000. The remaining \$40,000 is not covered.

### 4. Extended Period Of Indemnity

Under paragraph A.5.c., Extended Business Income, the number "30" in Subparagraphs (1)(b) and (2)(b) is replaced by the number shown in the Declarations for this Optional Coverage.

### F. Definitions

1. "Finished Stock" means stock you have manufactured.

"Finished stock" also includes whiskey and alcoholic products being aged, unless there is a Coinsurance percentage shown for Business Income in the Declarations.

"Finished stock" does not include stock you have manufactured that is held for

sale on the premises of any retail outlet insured under this Coverage Part.

**2. "Operations" means:**

- a. Your business activities occurring at the described premises; and
- b. The tenantability of the described premises, if coverage for Business Income including "Rental Value" or "Rental Value" applies.

**3. "Period of Restoration" means the period of time that:**

**a. Begins:**

- (1) 72 hours after the time of direct physical loss or damage for Business Income coverage; or
- (2) immediately after the time of direct physical loss or damage for Extra Expense coverage;

caused by or resulting from any Covered Cause of Loss at the described premises; and

**b. Ends on the earlier of:**

- (1) The date when the property at the described premises should be repaired, rebuilt or replaced with reasonable speed and similar quality; or
- (2) The date when business is resumed at a new permanent location.

"Period of restoration" does not include any increased period required due to the enforcement of any ordinance or law that:

- (1) Regulates the construction, use or repair, or requires the tearing down of any property; or
- (2) Requires any insured or others to test for, monitor, clean up,

remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants."

The expiration date of this policy will not cut short the "period of restoration."

**4. "Pollutants" means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.**

**5. "Rental Value" means Business Income that consists of:**

- a. Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred as rental income from tenant occupancy of the premises described in the Declarations as furnished and equipped by you, including fair rental value of any portion of the described premises which is occupied by you; and

- b. Continuing normal operating expenses incurred in connection with that premises, including:

**(1) Payroll; and**

- (2) The amount of charges which are the legal obligation of the tenant(s) but would otherwise be your obligations.**

**6. "Suspension" means:**

- a. The slowdown or cessation of your business activities; or

- b. That a part or all of the described premises is rendered untenable, if coverage for Business Income including "Rental Value" or "Rental Value" applies.

# EARTHQUAKE AND VOLCANIC ERUPTION ENDORSEMENT

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

This endorsement modifies insurance provided under the following:

## COMMERCIAL PROPERTY COVERAGE PART STANDARD PROPERTY POLICY

- A.** When this endorsement is attached to the Standard Property Policy, the terms Coverage Part and Coverage Form in this endorsement are replaced by the term Policy.
- B.** This endorsement applies to the Covered Property and Coverages for which an Earthquake -- Volcanic Eruption Limit of Insurance is shown in the Declarations.
- C. Additional Covered Causes Of Loss**
1. The following are added to the Covered Causes Of Loss:
    - a. Earthquake.
    - b. Volcanic Eruption, meaning the eruption, explosion or effusion of a volcano.

All Earthquake shocks or Volcanic Eruptions that occur within any 168-hour period will constitute a single Earthquake or Volcanic Eruption. The expiration of this policy will not reduce the 168-hour period.
  2. If the Declarations indicate that this endorsement covers Earthquake -- Sprinkler Leakage Only, then the Covered Causes of Loss in Paragraph C.1. of this endorsement do not apply, and the following apply instead:
    - a. Sprinkler Leakage resulting from Earthquake.
    - b. Sprinkler Leakage resulting from Volcanic Eruption. Volcanic Eruption means the eruption, explosion or effusion of a volcano.

All Earthquake shocks or Volcanic Eruptions that occur within any 168-hour period will constitute a single Earthquake or Volcanic Eruption. The expiration of this policy will not reduce the 168-hour period.
- D. Exclusions, Limitations And Related Provisions**
1. The Exclusions and Limitation(s) sections of the Causes Of Loss Form (and the Exclusions section of the Mortgageholders Errors And Omissions Coverage Form and the Standard Property Policy) apply to coverage provided under this endorsement, except as provided in D.2. and D.3. below.
  2. To the extent that the Earth Movement Exclusion might conflict with coverage provided under this endorsement, the Earth Movement Exclusion does not apply.
  3. The exclusion of collapse, in the Causes Of Loss -- Special Form and Mortgageholders Errors And Omissions Coverage Form, does not apply to collapse caused by Earthquake or Volcanic Eruption.
  4. The Additional Coverage -- Collapse, in the Causes Of Loss -- Broad Form, Causes Of Loss -- Special Form and Mortgageholders Errors And Omissions Coverage Form, does not apply to the coverage provided under this endorsement. This endorsement includes coverage for collapse caused by Earthquake or Volcanic Eruption.
  5. We will not pay for loss or damage caused directly or indirectly by tidal wave or tsunami, even if attributable to an Earthquake or Volcanic Eruption.
  6. We will not pay for loss or damage caused by or resulting from any Earthquake or Volcanic Eruption that begins before the inception of this insurance.
  7. The Ordinance Or Law Exclusion in this Coverage Part continues to apply with respect to any loss under this Coverage

Part including any loss under this endorsement, unless Ordinance Or Law Coverage is added by endorsement.

8. We will not pay for loss of or damage to exterior masonry veneer (except stucco) on wood frame walls caused by or resulting from Earthquake or Volcanic Eruption. The value of such veneer will not be included in the value of Covered Property or the amount of loss when applying the Property Damage Deductible applicable to this endorsement.

This limitation, D.8., does not apply if:

- a. The Declarations indicate that the "Including Masonry Veneer" option applies or the premises description in the Declarations specifically states "Including Masonry Veneer"; or
  - b. Less than 10% of the total outside wall area is faced with masonry veneer (excluding stucco).
9. Under this Coverage Part, as set forth under Property Not Covered in the Coverage Form to which this endorsement is attached, land is not covered property, nor is the cost of excavations, grading, backfilling or filling. Therefore, coverage under this endorsement does not include the cost of restoring or remediating land.

#### E. Property Damage Deductible

1. The provisions of Section E.2. of this endorsement are applicable to all Coverage Forms except:
  - a. Business Income (And Extra Expense) Coverage Form;
  - b. Business Income (Without Extra Expense) Coverage Form;
  - c. Extra Expense Coverage Form.
2. The Deductible, if any, in this Coverage Part is replaced by the following with respect to Earthquake and Volcanic Eruption:
  - a. **All Policies**
    - (1) The Deductible provisions apply to each Earthquake or Volcanic Eruption.

- (2) Separate Deductibles are calculated for, and apply to, each building, personal property at each building and personal property in the open. Deductibles are separately calculated and applied even if:
  - (a) Two or more buildings sustain loss or damage;
  - (b) Personal property at two or more buildings sustains loss or damage; and/or
  - (c) A building and the personal property in that building sustain loss or damage.

- (3) We will not pay for loss or damage until the amount of loss or damage exceeds the applicable Deductible. We will then pay the amount of loss or damage in excess of that Deductible, up to the applicable Limit of Insurance, after any reduction required by any of the following: Coinsurance Condition, Agreed Value Optional Coverage, Additional Condition -- Need for Adequate Insurance or Additional Condition -- Need for Full Reports.

- (4) When property is covered under the Coverage Extension for Newly Acquired or Constructed Property: In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage of the value of the property at time of loss. The applicable percentage for Newly Acquired or Constructed Property is the highest percentage shown in the Declarations for any described premises.

- (5) If there is loss or damage caused by Earthquake or Volcanic Eruption, and loss or damage caused by a Cause of Loss (e.g., fire) that is covered by means of an exception to the Earth Movement Exclusion, then the only applicable Deductible provisions are those stated in this endorsement.

**b. Calculation Of The Deductible -- Specific Insurance Other Than Builders Risk**

**(1) Property Not Subject To Value Reporting Forms**

In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage (as shown in the Declarations, concerning the Earthquake -- Volcanic Eruption Deductible) of the Limit of Insurance applicable to the property that has sustained loss or damage.

**(2) Property Subject To Value Reporting Forms**

In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage (as shown in the Declarations, concerning the Earthquake -- Volcanic Eruption Deductible) of the value of the property that has sustained loss or damage. The value to be used is the latest value shown in the most recent Report of Values on file with us.

However:

**(a)** If the most recent Report of Values shows less than the full value of the property on the report dates, we will determine the deductible amount as a percentage of the full value as of the report dates.

**(b)** If the first Report of Values is not filed with us prior to loss or damage, we will determine the deductible amount as a percentage of the applicable Limit of Insurance.

**c. Calculation Of The Deductible -- Blanket Insurance Other Than Builders Risk**

**(1) Property Not Subject To Value Reporting Forms**

In determining the amount, if any, that we will pay for loss or

damage, we will deduct an amount equal to a percentage (as shown in the Declarations, concerning the Earthquake -- Volcanic Eruption Deductible) of the value of the property that has sustained loss or damage. The value to be used is that shown in the most recent Statement of Values on file with us.

**(2) Property Subject To Value Reporting Forms**

In determining the amount, if any, that we will pay for property that has sustained loss or damage, we will deduct an amount equal to a percentage (as shown in the Declarations, concerning the Earthquake -- Volcanic Eruption Deductible) of the value of that property as of the time of loss or damage.

**d. Calculation Of The Deductible -- Builders Risk Insurance**

**(1) Builders Risk Other Than Reporting Form**

In determining the amount, if any, that we will pay for property that has sustained loss or damage, we will deduct an amount equal to a percentage (as shown in the Declarations, concerning the Earthquake -- Volcanic Eruption Deductible) of the actual cash value of that property as of the time of loss or damage.

**(2) Builders Risk Reporting Form**

In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage (as shown in the Declarations, concerning the Earthquake -- Volcanic Eruption Deductible) of the value of the property that has sustained loss or damage. The value to be used is the actual cash value shown in the most recent Report of Values on file with us.

However:

- (a) If the most recent Report of Values shows less than the actual cash value of the property on the report date, we will determine the deductible amount as a percentage of the actual cash value as of the report date.
- (b) If the first Report of Values is not filed with us prior to loss or damage, we will determine the deductible amount as a percentage of the actual cash value of the property as of the time of loss or damage.

#### F. Examples -- Application Of Deductible In E.2.:

##### EXAMPLE #1 -- SPECIFIC INSURANCE (E.2.b.(1))

The amount of loss to the damaged building is \$60,000.

The value of the damaged building at time of loss is \$100,000. The Coinsurance percentage shown in the Declarations is 80%; the minimum Limit of Insurance needed to meet the coinsurance requirement is \$80,000 (80% of \$100,000).

The **actual** Limit of Insurance on the damaged building is \$70,000.

The Deductible is 5%.

Step (1):  $\$70,000 \div \$80,000 = .875$   
 Step (2):  $\$60,000 \times .875 = \$52,500$   
 Step (3):  $\$70,000 \times 5\% = \$3,500$   
 Step (4):  $\$52,500 - \$3,500 = \$49,000$

The most we will pay is \$49,000. The remainder of the loss, \$11,000, is not covered due to the Coinsurance penalty for inadequate insurance (steps (1) and (2)) and the application of the Deductible (steps (3) and (4)).

##### EXAMPLE #2 -- SPECIFIC INSURANCE (E.2.b.(1))

The amounts of loss to the damaged property are \$60,000 (building) and \$40,000 (business personal property in building).

The value of the damaged building at time of loss is \$100,000. The value of the business personal property in that building is \$80,000. The Coinsurance percentage shown in the

Declarations is 80%; the minimum Limits of Insurance needed to meet the coinsurance requirement are \$80,000 (80% of \$100,000) for the building and \$64,000 (80% of \$80,000) for the business personal property.

The **actual** Limits of Insurance on the damaged property are \$80,000 on the building and \$64,000 on the business personal property (therefore no Coinsurance penalty).

The Deductible is 10%.

##### Building

Step (1):  $\$80,000 \times 10\% = \$8,000$   
 Step (2):  $\$60,000 - \$8,000 = \$52,000$

##### Business Personal Property

Step (1):  $\$64,000 \times 10\% = \$6,400$   
 Step (2):  $\$40,000 - \$6,400 = \$33,600$

The most we will pay is \$85,600. That portion of the total loss not covered due to application of the Deductible is \$14,400.

##### EXAMPLE #3 -- BLANKET INSURANCE (E.2.c.(1))

The sum of the values of Building #1 (\$500,000), Building #2 (\$500,000) and Building #3 (\$1,000,000), as shown in the most recent Statement of Values on file with us, is \$2,000,000.

The Coinsurance percentage shown in the Declarations is 90%; the minimum Blanket Limit of Insurance needed to meet the coinsurance requirement is \$1,800,000 (90% of \$2,000,000).

The **actual** Blanket Limit of Insurance covering Buildings #1, #2, and #3, shown in the Declarations, is \$1,800,000 (therefore no Coinsurance penalty).

Buildings #1 and #2 have sustained damage; the amounts of loss to these buildings are \$40,000 (Building #1) and \$60,000 (Building #2).

The Deductible is 5%.

##### Building #1

Step (1):  $\$500,000 \times 5\% = \$25,000$   
 Step (2):  $\$40,000 - \$25,000 = \$15,000$

**Building #2**

Step (1):  $\$500,000 \times 5\% = \$25,000$   
 Step (2):  $\$60,000 - \$25,000 = \$35,000$

The most we will pay is \$50,000. That portion of the total loss not covered due to application of the Deductible is \$50,000.

**EXAMPLE #4 -- BLANKET INSURANCE (E.2.c.(1))**

The sum of the values of Building #1 (\$500,000), Building #2 (\$500,000), Business Personal Property at Building #1 (\$250,000) and Business Personal Property at Building #2 (\$250,000), as shown in the most recent Statement of Values on file with us, is \$1,500,000.

The Coinsurance percentage shown in the Declarations is 90%; the minimum Blanket Limit of Insurance needed to meet the coinsurance requirement is \$1,350,000 (90% of \$1,500,000).

The **actual** Blanket Limit of Insurance covering Buildings #1 and #2 and Business Personal Property at Buildings #1 and #2, shown in the Declarations, is \$1,350,000. Therefore there is no Coinsurance penalty.

Building #1 and Business Personal Property at Building #1 have sustained damage; the amounts of loss are \$95,000 (Building) and \$5,000 (Business Personal Property).

The Deductible is 10%.

**Building**

Step (1):  $\$500,000 \times 10\% = \$50,000$   
 Step (2):  $\$95,000 - \$50,000 = \$45,000$

**Business Personal Property**

Step (1):  $\$250,000 \times 10\% = \$25,000$   
 The loss, \$5,000, does not exceed the deductible.

The most we will pay is \$45,000. The remainder of the building loss, \$50,000, is not covered due to application of the Deductible. There is no loss payment for the business personal property.

**G. Business Income And Extra Expense Period Of Restoration**

This Section G., is applicable only to the Coverage Forms specified below:

1. Business Income (And Extra Expense) Coverage Form;
2. Business Income (Without Extra Expense) Coverage Form;
3. Extra Expense Coverage Form.

The "period of restoration" definition stated in the Coverage Form, or in any endorsement amending the beginning of the "period of restoration", applies to each Earthquake or Volcanic Eruption. A single Earthquake or Volcanic Eruption is defined in Section C. of this endorsement.

## LOSS PAYABLE PROVISIONS

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM  
 BUILDERS' RISK COVERAGE FORM  
 CONDOMINIUM ASSOCIATION COVERAGE FORM  
 CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM  
 STANDARD PROPERTY POLICY

### SCHEDULE

#### Provisions Applicable

Prem. No.	Bldg. No.	Description of Property	Loss Payable	Lender's Loss Payable	Contract Of Sale	Loss Payee (Name & Address)
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**A.** When this endorsement is attached to the STANDARD PROPERTY POLICY CP 00 99 the term Coverage Part in this endorsement is replaced by the term Policy.

The following is added to the LOSS PAYMENT Loss Condition, as indicated in the Declarations or by an "X" in the Schedule:

#### **B. LOSS PAYABLE**

For Covered Property in which both you and a Loss Payee shown in the Schedule or in the Declarations have an insurable interest, we will:

1. Adjust losses with you; and

2. Pay any claim for loss or damage jointly to you and the Loss Payee, as interests may appear.

#### **C. LENDER'S LOSS PAYABLE**

1. The Loss Payee shown in the Schedule or in the Declarations is a creditor, including a mortgageholder or trustee, whose interest in Covered Property is established by such written instruments as:

- a. Warehouse receipts;
- b. A contract for deed;
- c. Bills of lading;

- d.** Financing statements; or
- e.** Mortgages, deeds of trust, or security agreements.

**2. For Covered Property in which both you and a Loss Payee have an insurable interest:**

- a.** We will pay for covered loss or damage to each Loss Payee in their order of precedence, as interests may appear.
- b.** The Loss Payee has the right to receive loss payment even if the Loss Payee has started foreclosure or similar action on the Covered Property.
- c.** If we deny your claim because of your acts or because you have failed to comply with the terms of the Coverage Part, the Loss Payee will still have the right to receive loss payment if the Loss Payee:

- (1)** Pays any premium due under this Coverage Part at our request if you have failed to do so;

- (2)** Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so; and

- (3)** Has notified us of any change in ownership, occupancy or substantial change in risk known to the Loss Payee.

All of the terms of this Coverage Part will then apply directly to the Loss Payee.

- d.** If we pay the Loss Payee for any loss or damage and deny payment to you because of your acts or because you have failed to comply with the terms of this Coverage Part:

- (1)** The Loss Payee's rights will be transferred to us to the extent of the amount we pay; and

- (2)** The Loss Payee's rights to recover the full amount of the Loss Payee's claim will not be impaired.

At our option, we may pay to the Loss Payee the whole principal on the debt plus any accrued interest. In this event, you will pay your remaining debt to us.

**3. If we cancel this policy, we will give written notice to the Loss Payee at least:**

- a.** 10 days before the effective date of cancellation if we cancel for your nonpayment of premium; or
  - b.** 30 days before the effective date of cancellation if we cancel for any other reason.

- 4.** If we elect not to renew this policy, we will give written notice to the Loss Payee at least 10 days before the expiration date of this policy.

**D. CONTRACT OF SALE**

**1.** The Loss Payee shown in the Schedule or in the Declarations is a person or organization you have entered a contract with for the sale of Covered Property.

**2.** For Covered Property in which both you and the Loss Payee have an insurable interest we will:

- a.** Adjust losses with you; and
  - b.** Pay any claim for loss or damage jointly to you and the Loss Payee, as interests may appear;

**3.** The following is added to the OTHER INSURANCE Condition:

For Covered Property that is the subject of a contract of sale, the word "you" includes the Loss Payee.

## **ADDITIONAL COVERED PROPERTY**

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**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM  
CONDOMINIUM ASSOCIATION COVERAGE FORM  
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM  
STANDARD PROPERTY POLICY

The following is withdrawn from PROPERTY NOT COVERED and added to COVERED PROPERTY:

### **SCHEDULE \***

<b>Prem. No.</b>	<b>Bldg. No.</b>	<b>Paragraph Reference</b>	<b>Description of Property</b>	<b>Type of Property Coverage (Enter BUILDING or PERSONAL PROPERTY)</b>
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\* Information required to complete this Schedule, if not shown on this endorsement, will be shown in the Declarations.

## COMMERCIAL PROPERTY CONDITIONS

### CORNERSTONE PLUS

This Coverage Part is subject to the following conditions, the Common Policy Conditions and applicable Loss Conditions and Additional Conditions in Commercial Property Coverage Forms.

#### A. CONCEALMENT, MISREPRESENTATION OR FRAUD

This Coverage Part is void in any case of fraud by you as it relates to this Coverage Part at any time. It is also void if you or any other insured, at any time, intentionally conceal or misrepresent a material fact concerning:

1. This Coverage Part;
2. The Covered Property;
3. Your interest in the Covered Property; or
4. A claim under this Coverage Part.

#### B. CONTROL OF PROPERTY

Any act or neglect of any person other than you beyond your direction or control will not affect this insurance.

The breach of any condition of this Coverage Part at any one or more locations will not affect coverage at any location where, at the time of loss or damage, the breach of condition does not exist.

#### C. INSURANCE UNDER TWO OR MORE COVERAGES

If two or more of this policy's coverages apply to the same loss or damage, we will not pay more than the actual amount of the loss or damage.

#### D. LEGAL ACTION AGAINST US

No one may bring a legal action against us under this Coverage Part unless:

1. There has been full compliance with all of the terms of this Coverage Part; and
2. The action is brought within 2 years after the date on which the direct physical loss or damage occurred.

#### E. LIBERALIZATION

If we adopt any revision that would broaden the coverage under this Coverage Part without additional premium within 45 days prior to or during the policy period, the broadened coverage will immediately apply to this Coverage Part.

#### F. NO BENEFIT TO BAILEE

No person or organization, other than you, having custody of Covered Property will benefit from this insurance.

#### G. OTHER INSURANCE

1. You may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this Coverage Part. If you do, we will pay our share of the covered loss or damage. Our share is the proportion that the applicable Limit of Insurance under this Coverage Part bears to the Limits of Insurance of all insurance covering on the same basis.
2. If there is other insurance covering the same loss or damage, other than that described in 1. above, we will pay only for the amount of covered loss or damage in excess of the amount due from that other insurance, whether you can collect on it or not. But we will not pay more than the applicable Limit of Insurance.

#### H. POLICY PERIOD, COVERAGE TERRITORY

Under this Coverage Part:

1. We cover loss or damage commencing:
  - a. During the policy period shown in the Declarations; and
  - b. Within the coverage territory.
2. The coverage territory is:

- a. The United States of America (including its territories and possessions);
  - b. Puerto Rico; and
  - c. Canada.
- 1. Prior to a loss to your Covered Property or Covered Income.
  - 2. After a loss to your Covered Property or Covered Income only if, at time of loss, that party is one of the following:

**I. TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US**

If any person or organization to or for whom we make payment under this Coverage Part has rights to recover damages from another, those rights are transferred to us to the extent of our payment. That person or organization must do everything necessary to secure our rights and must do nothing after loss to impair them. But you may waive your rights against another party in writing:

- a. Someone insured by this insurance;
- b. A business firm;
  - (1) Owned or controlled by you; or
  - (2) That owns or controls you; or
- c. Your tenant.

This will not restrict your insurance.

# BUILDING AND PERSONAL PROPERTY COVERAGE FORM

## CORNERSTONE PLUS

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy, the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section H — **Definitions**.

### A. COVERAGE

We will pay for direct physical loss of or damage to Covered Property at the premises described in the Declarations caused by or resulting from any Covered Cause of Loss.

#### 1. Covered Property

Covered Property, as used in this Coverage Part, means the type of property described in this section, **A.1.**, and limited in **A.2.**, Property Not Covered, if a Limit of Insurance is shown in the Declarations for that type of property.

**a. Building**, meaning the building or structure described in the Declarations, including:

- (1) Completed additions;
- (2) Fixtures, including outdoor fixtures permanently installed on the described building;
- (3) Permanently installed:
  - (a) Machinery and
  - (b) Equipment;
- (4) Personal property owned by you that is used to maintain or service the building or structure or its premises, including:
  - (a) Fire extinguishing equipment;
  - (b) Outdoor furniture;

(c) Floor coverings; and

(d) Appliances used for refrigerating, ventilating, cooking, dishwashing or laundering;

(5) If not covered by other insurance:

(a) Additions under construction, alterations and repairs to the building or structure;

(b) Materials, equipment, supplies and temporary structures, on or within 100 feet of the described premises, used for making additions, alterations or repairs to the building or structure;

(6) Signs, radio and television antennae and satellite dishes attached to the building or within 100 feet of the described premises;

(7) Walls, fences and walks.

**b. Your Business Personal Property** located in or on the building described in the Declarations or in the open (or in a vehicle) within 100 feet of the described premises, consisting of the following unless otherwise specified in the Declarations or on the Your Business Personal Property -- Separation of Coverage form:

- (1) Furniture and fixtures;
- (2) Machinery and equipment;
- (3) "Stock";
- (4) All other personal property owned by you and used in your business;
- (5) Labor, materials or services furnished or arranged by you on personal property of others;

(6) Your use interest as tenant in improvements and betterments. Improvements and betterments are fixtures, alterations, installations or additions:

(a) Made a part of the building or structure you occupy but do not own; and

(b) You acquired or made at your expense but cannot legally remove;

(7) Leased personal property for which you have a contractual responsibility to insure, unless otherwise provided for under Personal Property of Others.

Our payment for loss or damage of this leased property will be the lower of:

(a) Up to the value stated in the lease agreement; or

(b) The replacement cost value;

(8) Personal Property of Others that is:

(a) Located in or on the building described in the Declarations or in the open (or in a vehicle) within 100 feet of the described premises; and

(b) Business personal property belonging to your "ministers," managerial employees, officers or directors; personal property of others used by you for business purposes.

However, our payment for loss of or damage to Personal Property of Others will only be for the account of the owner of the property.

## 2. Property Not Covered

Covered Property does not include:

a. Accounts, bills, currency, deeds, food stamps, other evidences of debt, or notes; money or securities, except as provided in Section C -- Limitations of the Causes of Loss -- Special Form. Lottery tickets held for sale are not securities;

b. Animals, unless owned by others and boarded by you, or if owned by you, only as "stock" while inside of buildings;

c. Automobiles held for sale;

d. Bridges, roadways, patios or other paved surfaces, except walks;

e. Contraband, or property in the course of illegal transportation or trade;

f. The cost of excavations, grading, backfilling or filling;

g. Foundations of buildings, structures, machinery or boilers if their foundations are below:

(1) The lowest basement floor; or

(2) The surface of the ground, if there is no basement;

h. Land (including land on which the property is located), water or growing crops; or lawns, except as provided in the Coverage Extensions;

i. Personal property while airborne or waterborne;

j. Bulkheads, pilings, piers, wharves or docks;

k. Property that is covered under another coverage form of this or any other policy in which it is more specifically described, except for the excess of the amount due (whether you can collect on it or not) from that other insurance;

l. Retaining walls that are not at the premises described in the Declarations;

m. Underground pipes, flues or drains;

n. Electronic Data, except as provided under Additional Coverages -- Electronic Data. Electronic data means information, facts or computer programs stored as or on, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used

with electronically controlled equipment. The term computer programs, referred to in the foregoing description of electronic data, means a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data. This Paragraph **n.**, does not apply to your "stock" of prepackaged software.

- o.** The cost to research, replace or restore the information on valuable papers and records, including those which exist as electronic data. Valuable papers and records include but are not limited to proprietary information, books of account, deeds, manuscripts, abstracts, drawings and card index systems. Refer to the Coverage Extension for Valuable Papers And Records -- Cost of Research (Other Than Electronic Data) for limited coverage for valuable papers and records other than those which exist as electronic data.

- p.** Vehicles or self-propelled machines (including aircraft or watercraft) that:

- (1)** Are licensed for use on public roads; or
- (2)** Are operated principally away from the described premises.

This paragraph does not apply to:

- (a)** Vehicles or self-propelled machines or autos you manufacture, process or warehouse;
- (b)** Vehicles or self-propelled machines, other than autos, you hold for sale;
- (c)** Rowboats or canoes out of water at the described premises; or
- (d)** Trailers, but only to the extent provided for in the Coverage Extension for Non-Owned Detached Trailers;

- q.** The following property while outside of buildings:

- (1)** Grain, hay, straw or other crops;

- (2)** Radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers, signs (other than signs, radio and television antennae and satellite dishes attached to buildings or within 100 feet of the described premises), trees, shrubs or plants (other than "stock" of trees, shrubs or plants), all except as provided in the Coverage Extensions.

### **3. Covered Causes Of Loss**

See applicable Causes of Loss Form as shown in the Declarations.

### **4. Additional Coverages**

#### **a. Debris Removal**

- (1)** Subject to Paragraphs **(3)** and **(4)**, we will pay your expense to remove debris of Covered Property caused by or resulting from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the date of direct physical loss or damage.

- (2)** Debris Removal does not apply to costs to:

- (a)** Extract "pollutants" from land or water; or
- (b)** Remove, restore or replace polluted land or water.

- (3)** Subject to the exceptions in Paragraph **(4)**, the following provisions apply:

- (a)** The most we will pay for the total of direct physical loss or damage plus debris removal expense is the Limit of Insurance applicable to the Covered Property that has sustained loss or damage.

- (b)** Subject to **(a)** above, the amount we will pay for debris removal expense is limited to 25% of the sum of the deductible plus the amount

that we pay for direct physical loss or damage to the Covered Property that has sustained loss or damage.

- (4) We will pay up to an additional \$10,000 for debris removal expense, for each location, in any one occurrence of physical loss or damage to Covered Property, if one or both of the following circumstances apply:

- (a) The total of the actual debris removal expense plus the amount we pay for direct physical loss or damage exceeds the Limit of Insurance on the Covered Property that has sustained loss or damage.
- (b) The actual debris removal expense exceeds 25% of the sum of the deductible plus the amount that we pay for direct physical loss or damage to the Covered Property that has sustained loss or damage.

Therefore, if (4)(a) and/or (4)(b) apply, our total payment for direct physical loss or damage and debris removal expense may reach but will never exceed the Limit of Insurance on the Covered Property that has sustained loss or damage, plus \$10,000.

- (5) Examples:  
The following examples assume that there is no coinsurance penalty.

#### Example #1

Limit of Insurance	\$ 90,000
Amount of Deductible	\$ 500
Amount of Loss	\$ 50,000
Amount of Loss Payable	\$ 49,500
	(\$50,000 - \$500)
Debris Removal Expense	\$ 10,000

Debris Removal Expense \$ 10,000  
Payable

(\$10,000 is 20% of \$50,000)

The debris removal expense is less than 25% of the sum of the loss payable plus the deductible. The sum of the loss payable and the debris removal expense (\$49,500 + \$10,000 = \$59,500) is less than the Limit of Insurance. Therefore the full amount of debris removal expense is payable in accordance with the terms of Paragraph (3).

#### Example #2

Limit of Insurance	\$ 90,000
Amount of Deductible	\$ 500
Amount of Loss	\$ 80,000
Amount of Loss Payable	\$ 79,500
	(\$80,000 - \$500)

Debris Removal Expense \$ 30,000

Debris Removal Expense  
Payable

Basic Amount \$ 10,500

Additional Amount \$ 10,000

The basic amount payable for debris removal expense under the terms of Paragraph (3) is calculated as follows: \$80,000 (\$79,500 + \$500) x .25 = \$20,000; capped at \$10,500. The cap applies because the sum of the loss payable (\$79,500) and the basic amount payable for debris removal expense (\$10,500) cannot exceed the Limit of Insurance (\$90,000).

The additional amount payable for debris removal expense is provided in accordance with the terms of Paragraph (4), because the debris removal expense (\$30,000) exceeds 25% of the loss payable plus the deductible (\$30,000 is 37.5% of \$80,000), and because the sum of the loss payable and debris removal

expense (\$79,500 + \$30,000 = \$109,500) would exceed the Limit of Insurance (\$90,000). The additional amount of covered debris removal expense is \$10,000, the maximum payable under Paragraph (4). Thus the total payable for debris removal expense in this example is \$20,500; \$9,500 of the debris removal expense is not covered.

The Additional Condition, Coinsurance, shall not apply to this Additional Coverage.

**b. Preservation of Property**

If it is necessary to move Covered Property from the described premises to preserve it from loss or damage by a Covered Cause of Loss, we will pay for any direct physical loss or damage to that property:

- (1) While it is being moved or while temporarily stored at another location; and
- (2) Only if the loss or damage occurs within 30 days after the property is first moved.

**c. Fire Department Service Charge**

When the fire department is called to save or protect Covered Property from a Covered Cause of Loss, we will pay the actual cost of your liability for fire department service charges:

- (1) Assumed by contract or agreement prior to loss; or
- (2) Required by local ordinance.

No deductible applies to this Additional Coverage.

**d. Pollutant Clean Up and Removal**

We will pay your expense to extract "pollutants" from land or water at the described premises if the discharge, dispersal, seepage, migration, release or escape of the "pollutants" is caused by or results from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180

days of the date on which the Covered Cause of Loss occurs.

This Additional Coverage does not apply to costs to test for, monitor or assess the existence, concentration or effects of "pollutants." But we will pay for testing which is performed in the course of extracting the "pollutants" from the land or water.

The most we will pay under this Additional Coverage for each described premises is \$10,000 for the sum of all covered expenses arising out of Covered Causes of Loss occurring during each separate 12 month period of this policy.

**e. Ordinance or Law**

This Additional Coverage applies only to buildings to which the Replacement Cost coverage applies.

If a Covered Cause of Loss occurs to covered Building property, and causes the enforcement of any ordinance or law that (a) is in force at the time the cause of loss occurs, and (b) regulates the repair or reconstruction of that building, or establishes zoning or land use requirements at the described premises, we will pay:

- (1) Up to \$350,000 for the actual loss in value of the undamaged portion of the building as a consequence of enforcement of an ordinance or law that requires demolition of undamaged parts of the same building.

This Additional Coverage does not increase the limit applicable to the covered buildings shown in the Declarations. This is not an additional amount of insurance.

- (2) Up to \$350,000 for the amount you actually spend to demolish and clear the site of the undamaged parts of the building.

This is an additional amount of insurance.

- (3) Up to \$250,000 for the amount you actually spend for the increased cost to repair or reconstruct that building.

Increased cost is the cost excess of that cost to repair or reconstruct the damaged or destroyed property to meet minimum requirements of such ordinance or law, on the basis of its like kind and quality, at the time the Covered Cause of Loss occurs. However, we will not pay for the increased cost applicable to the undamaged parts of that property, required by such ordinance or law to be demolished. If the property is repaired or reconstructed, it must be intended for a similar occupancy as the current property, unless otherwise required by zoning or land use law.

This is an additional amount of insurance.

We will not pay for increased construction costs under this Coverage Part:

- (1) Until the property is actually repaired or replaced, at the same premises or elsewhere; and
- (2) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage, not to exceed two years. We may extend this period in writing during the two years.

The most we will pay is \$750,000 for combinations of these coverages. These limits are the maximum payment per occurrence regardless of the number of damaged buildings. Section D. Deductible applies to these coverages.

We will not pay more:

- (1) If the property is repaired or replaced on the same premises, than the amount you actually spend to:
  - (a) Demolish and clear the site; and
  - (b) Repair, rebuild or construct the property but not for more than property of the same

height, floor area and style on the same premises.

- (2) If the property is not repaired or replaced on the same premises, than:

- (a) The amount you actually spend to demolish and clear the site of the described premises; and
- (b) The cost to replace, on the same premises, the damaged or destroyed property with other property:
  - (i) Of comparable material quality;
  - (ii) Of the same height, floor area and style; and
  - (iii) Used for the same purpose.

The terms of this Additional Coverage shall:

- (1) Not apply to any property or building that is not Covered Property;
- (2) Not apply to any covered building that has not been damaged by a Covered Cause of Loss;
- (3) Not apply to loss due to any ordinance or law that you were required to comply with, and that you failed to comply with before the loss occurred.
- (4) Not apply to the enforcement of any ordinance or law which requires demolition, repair, replacement, reconstruction, remodeling or remediation of property due to contamination by "pollutants" or due to the presence, growth, proliferation, spread or any activity of "fungus", wet or dry rot or bacteria; or
- (5) Not apply to any costs associated with the enforcement of an ordinance or law which requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond

to, or assess the effects of "pollutants", "fungus", wet or dry rot or bacteria.

The Ordinance or Law exclusion does not apply to this Additional Coverage.

**f. Indirect Loss -- Blanket Insurance**

The most we will pay under this Additional Coverage is \$50,000 for any one of the following coverages, 1 through 6, or no more than \$100,000 for any combinations of these coverages:

**(1) "Business Income"**

We will pay for the actual loss of "Business Income" you sustain due to the necessary "suspension" of your "operations" during the "period of restoration", caused by property damage from a covered cause of loss to property at the locations described in the declarations.

The amount of "Business Income" loss will be determined based on:

- a. The "Net Income" of the business before the direct physical loss or damage occurred;
- b. The likely "Net Income" of the business if no physical loss or damage had occurred;
- c. The operating expenses, including payroll expenses, necessary to resume "operations" with the same quality of service that existed just before the direct physical loss or damage; and
- d. Other relevant sources of information, including:
  - (i) Your financial records and accounting procedures;
  - (ii) Bills, invoices and other vouchers; and

- (iii) Deeds, liens or contracts.

**Extended "Business Income":** If the necessary "suspension" of your "operations" produces a "Business Income" loss payable under this policy, we will pay for the actual loss of "Business Income" you incur during the period that:

- a. Begins on the date property is actually repaired, rebuilt or replaced and tenantability or your "operations" are resumed; and
- b. Ends on the earlier of:
  - (i) The date you could restore tenant occupancy or your "operations", with reasonable speed, to the level which would generate the "Business Income" including "Rental Value" amount that would have existed if no direct physical loss or damage had occurred; or
  - (ii) 30 consecutive days after the date determined in a. above.

**(2) "Extra Expense"**

We will pay for the expenses you incur during the "period of restoration" that you would not have incurred if there had been no direct physical loss or damage to property caused by or resulting from a Covered Cause of Loss:

We will pay "Extra Expense" (other than the expense to repair or replace property) to:

- a. Avoid or minimize the "suspension" of business and to continue operations at the described premises or at replacement premises or temporary locations, including relocation expenses and costs to equip and operate the replacement location or temporary location.

b. Minimize the "suspension" of business if you cannot continue "operations".

c. Repair or replace property, but only to the extent it reduces the amount of loss that otherwise would have been payable.

We will also pay your reasonable expenses in performing your duties described in 3. Duties In The Event Of Loss Or Damage of SECTION E -- LOSS CONDITIONS.

The amount of "Extra Expense" will be determined based on:

a. All expenses that exceed the normal operating expenses that would have been incurred by "operations" during the "period of restoration" if no direct physical loss or damage had occurred. We will deduct from the total of such expenses:

(i) The salvage value that remains of any property bought for temporary use during the "period of restoration" once "operations" are resumed; and

(ii) Any "Extra Expense" that is paid for by other insurance, except for insurance that is written subject to the same plan, terms, conditions and provisions as this insurance; and

b. Necessary expenses that reduce the "Business Income" loss that otherwise would have been incurred.

Valuable papers and records and "Electronic Data" are not covered except as elsewhere provided in this policy.

### (3) Tuition Fees

We will pay for actual loss of Net Income from "Tuition Fees" plus continuing normal operating

expenses that would have been earned or incurred. We will pay only when there is a loss or damage to Covered Property by a Covered Cause of Loss.

This coverage is not limited by the expiration date of this policy, but ends on the earlier of:

a. The day before the opening of the next "school term" following the date when, with reasonable speed and similar quality, the property should be repaired, rebuilt or replaced; or

b. The date when the "school term" is resumed at a new permanent location.

### (4) Emergency Evacuation including Civil Authority

We will pay your reasonable expenses:

a. To move residents from the described premises, temporarily, if removal:

(i) Is necessary to prevent further or threatened physical injury to the residents; or

(ii) Is required by civil authority.

b. To move property of residents from the described premises to preserve such property.

This provision applies if there is actual or threatened loss or damage to Covered Property by a Covered Cause of Loss.

### (5) Civil Authority

We will pay for the actual loss of "Business Income" you sustain and necessary "Extra Expense" caused by action of civil authority that prohibits access to the described premises due to direct physical loss of or damage to property, other than at the described premises, caused by

or resulting from any Covered Cause of Loss.

The coverage for Business Income will begin 72 hours after the time of that action and will apply for a period of up to three consecutive weeks after coverage begins.

The coverage for "Extra Expense" will begin immediately after the time of that action and will end:

- a. 3 consecutive weeks after the time of that action; or
- b. When your Business Income coverage ends;

whichever is later.

#### **(6) Alterations and New Buildings**

We will pay for the actual loss of "Business Income" you sustain and necessary "Extra Expense" you incur due to direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss to:

- a. New buildings or structures, whether complete or under construction;
- b. Alterations or additions to existing buildings or structures; and
- c. Machinery, equipment, supplies or building materials located on or within 100 feet of the described premises and:
  - (i) Used in the construction, alterations or additions; or
  - (ii) Incidental to the occupancy of new buildings.

If such direct physical loss or damage delays the start of "operations", the "period of restoration" for "Business Income" Coverage will begin on the date "operations" would have

begun if the direct physical loss or damage had not occurred.

If you are a tenant, loss or damage to Covered Property includes loss or damage to the portion of the building which you rent, lease or occupy or any area within the building which services or is used to gain access to the portion you rent, lease or occupy.

#### **g. Damage to Buildings from Theft, Burglary or Robbery**

When Building loss or damage (except by fire or explosion) directly resulting from theft, burglary or robbery (including attempted theft), occurs, we will pay for that part of the building, occupied by you and containing Your Business Personal Property, and to equipment therein pertaining to the service of the building but not building property or equipment, removed from designated premises, provided you are the owner of such building or equipment or are liable for such building or equipment or are liable for such damage.

Section D. **Deductible** applies to this Additional Coverage.

#### **h. Sewer, Drain or Sump Backup or Overflow**

We will pay for direct physical loss of or damage to Covered Property caused by or resulting from water that backs up or overflows from a sewer, drain or sump.

The opening (of the sewer, drain or sump) from which the water backs up or overflows must be located in:

- (1) The insured building; or
- (2) If you are a tenant, the building you rent, lease or occupy.

Section D. **Deductible** applies to this Additional Coverage.

This Additional Coverage is subject to the Limitations in the Cause of Loss Form.

**i. Electronic Data**

(1) Under this Additional Coverage, electronic data has the meaning described under Property Not Covered -- Electronic Data.

(2) Subject to the provisions of this Additional Coverage, we will pay for the cost to replace or restore electronic data which has been destroyed or corrupted by a Covered Cause of Loss. To the extent that electronic data is not replaced or restored, the loss will be valued at the cost of replacement of the media on which the electronic data was stored, with blank media of substantially identical type.

(3) The Covered Causes of Loss applicable to Your Business Personal Property apply to this Additional Coverage -- Electronic Data, subject to the following:

(a) If the Causes Of Loss -- Special Form applies, coverage under this Additional Coverage -- Electronic Data is limited to the "specified causes of loss" as defined in that form, and Collapse as set forth in that form.

(b) If the Causes Of Loss -- Broad Form applies, coverage under this Additional Coverage -- Electronic Data includes Collapse as set forth in that form.

(c) If the Causes Of Loss Form is endorsed to add a Covered Cause of Loss, the additional Covered Cause of Loss does not apply to the coverage provided under this Additional Coverage -- Electronic Data.

(d) The Covered Causes of Loss include a virus, harmful code or similar instruction introduced into or enacted on a computer system (including electronic data) or a network to which it is connected, designed to damage or destroy any part of the

system or disrupt its normal operation. But there is no coverage for loss or damage caused by or resulting from manipulation of a computer system (including electronic data) by any employee, including a temporary or leased employee, or by an entity retained by you or for you to inspect, design, install, modify, maintain, repair or replace that system.

(4) The most we will pay under this Additional Coverage -- Electronic Data is \$2,500 for all loss or damage sustained in any one policy year, regardless of the number of occurrences of loss or damage or the number of premises, locations or computer systems involved. If loss payment on the first occurrence does not exhaust this amount, then the balance is available for subsequent loss or damage sustained in but not after that policy year. With respect to an occurrence which begins in one policy year and continues or results in additional loss or damage in a subsequent policy year(s), all loss or damage is deemed to be sustained in the policy year in which the occurrence began.

**5. Coverage Extensions**

Except as otherwise provided, the following Extensions apply to property located in or on the building described in the Declarations or in the open (or in a vehicle) within 100 feet of the described premises.

If a Coinsurance percentage of 80% or more or, a Value Reporting period symbol, is shown in the Declarations, you may extend the insurance provided by this Coverage Part as follows:

**a. Newly Acquired or Constructed Property****(1) Buildings**

If this policy covers Building, you may extend that insurance to apply to:

- (a) Your new buildings while being built on the described premises; and

- (b) Buildings you acquire at locations, other than the described premises, intended for:

- (i) Similar use as the building described in the Declarations; or
- (ii) Use as a warehouse.

## **(2) Your Business Personal Property**

- (a) If this policy covers Your Business Personal Property, you may extend that insurance to apply to:

- (i) Business personal property, including such property that you newly acquire, at any location you acquire other than at fairs, trade shows or exhibitions;
- (ii) Business personal property, including such property that you newly acquire, located at your newly constructed or acquired buildings at the location described in the Declarations; or
- (iii) Business personal property that you newly acquire, located at the described premises.

- (b) This Extension does not apply to:

- (i) Personal property of others that is temporarily in your possession in the course of installing or performing work on such property; or
- (ii) Personal property of others that is temporarily in your possession in the course of your manufacturing or wholesaling activities.

## **(3) Period of Coverage**

With respect to insurance on or at each newly acquired or constructed property, coverage will end when any of the following first occurs:

- (a) This policy expires;
- (b) 180 days expire after you acquire the property or begin construction of that part of the building that would qualify as covered property; or
- (c) You report values to us.

We will charge you additional premium for values reported from the date you acquire the property or begin construction of that part of the building that would qualify as covered property.

Subject to Section D. **Deductible**, the most we will pay for loss or damage under this Extension is \$2,000,000 each building.

## **b. Personal Effects and Property of Others**

You may extend the insurance that applies to Your Business Personal Property to apply to personal effects and personal property of others.

Loss or damage covered under this Extension is subject to replacement cost provisions a., b., c., d., e. and f. of Loss Condition, Valuation. The Optional Coverage, Actual Cash Value shall not apply to this Extension.

The most we will pay for loss or damage under this Extension is \$25,000 in any one occurrence. Our payment for loss of or damage to personal effects and personal property of others will only be for the account of the owner of the property. No deductible applies to this Extension.

This Extension does not apply to personal effects and personal property at any residence premises.

Insurance under this Extension is excess of the property owner's insurance, which is primary, whether the owner can collect on it or not.

**c. Valuable Papers And Records -- Cost of Research (Other Than Electronic Data)**

(1) You may extend the insurance that applies to Your Business Personal Property to apply to the cost to research, replace or restore the lost information on valuable papers and records for which duplicates do not exist. But this extension does not apply to valuable papers and records which exist on electronic data. Electronic data has the meaning described under Property Not Covered -- Electronic Data.

(2) We will pay under this Extension to replace and restore the lost information, when the loss or damage exceeds \$500 and \$50,000 is the most we will pay, unless a higher limit is shown in the Declarations. Such amount is additional insurance. We will also pay for the cost of blank material for reproducing the records (whether or not duplicates exist) and (when there is a duplicate) for the cost of labor to transcribe or copy the records. The costs of blank material and labor are subject to the applicable Limit of Insurance on Your Business Personal Property and therefore coverage of such costs is not additional insurance.

**d. Property Off-Premises**

You may extend the insurance provided by this Coverage Form to apply to your Covered Property (but excluding personal property of others) while it is away from the described premises, if it is:

- (a) Temporarily at a location you do not own, lease or operate;
- (b) In storage at a location you lease, provided the lease was executed after the beginning of the current policy term; or

(c) At any fair, trade show or exhibition.

This Extension applies only if loss or damage is caused by a Covered Cause of Loss.

This Extension also applies to Covered Property while in transit including direct loss or damage caused by collision (except contact with roadbed), derailment, or overturn of a transporting land conveyance. The Coverage Territory condition does not apply to this Extension; coverage applies while the Covered Property is anywhere in the world. We will pay under this Extension when the loss or damage exceeds \$500, and \$50,000 is the most we will pay for the part of the loss or damage that exceeds \$500.

**e. Radio and Television Antennas (Including Satellite Dishes)**

You may extend the insurance provided by this Coverage Form to apply to your radio and television antennas (including satellite dishes), including debris removal expense, caused by or resulting from any Covered Cause of Loss;

We will pay under this Extension when the loss or damage exceeds \$500 and \$15,000 is the most we will pay for the part of the loss or damage that exceeds \$500.

**f. Appurtenant Buildings and Property in the Open**

You may extend the insurance that applies to Building to apply to appurtenant buildings and personal property in the appurtenant buildings located on the premises of any covered building.

This Extension applies only if loss or damage is caused by a Covered Cause of Loss, and does not include any appurtenant building or property which is used in whole or in part for mercantile, manufacturing or farming purposes.

You may also extend the insurance that applies to Building to apply to park and playground equipment, gravestones, markers and

freestanding structures built for use or ornamentation on, above, or below the surface of land. The structures must be owned by you and located on the described premises.

We will pay under this Extension when the loss or damage exceeds \$500, and \$25,000 is the most we will pay for the part of the loss or damage that exceeds \$500.

**g. Trees, Shrubs, Plants and Lawns**

You may extend the insurance provided by this Coverage Form to cover your trees, shrubs, plants and lawns at the described premises against loss by fire, lightning, explosion, riot, civil commotion, vehicle damage, aircraft and vandalism. We will pay under this Extension when the loss or damage exceeds \$500 and \$20,000 is the most we will pay for the part of the loss or damage that exceeds \$500, but not more than \$1,000 on any one tree, shrub, plant or lawn. This includes debris removal expense, but only if the loss is caused by a Covered Cause of Loss.

**h. Outdoor Signs**

You may extend the insurance provided by this Coverage Form to apply to outdoor signs wherever located which are owned by you or owned by others and in your care, custody and control, excluding only loss by wear and tear, latent defect, corrosion, rust, or mechanical breakdown. We will pay under this Extension when the loss or damage exceeds \$500, and \$15,000 is the most we will pay for the part of the loss or damage that exceeds \$500.

**i. Non-Owned Detached Trailers**

(1) You may extend the insurance that applies to Your Business Personal Property to apply to loss or damage to trailers that you do not own, provided that:

- (a) The trailer is used in your business;
- (b) The trailer is in your care, custody or control at the

premises described in the Declarations; and

(c) You have a contractual responsibility to pay for loss or damage to the trailer.

(2) We will not pay for any loss or damage that occurs:

(a) While the trailer is attached to any motor vehicle or motorized conveyance, whether or not the motor vehicle or motorized conveyance is in motion;

(b) During hitching or unhitching operations, or when a trailer becomes accidentally unhitched from a motor vehicle or motorized conveyance.

(3) The most we will pay for loss or damage under this Extension is \$5,000, unless a higher limit is shown in the Declarations.

(4) This insurance is excess over the amount due (whether you can collect on it or not) from any other insurance covering such property.

**j. Installed Locks**

You may extend the insurance provided by this Coverage Form for the repair, replacement or recalibration of professionally installed interior or exterior door locks if keys are stolen during a covered theft, burglary or robbery loss. The most we will pay under this Extension is \$10,000. No deductible applies to this Extension.

**k. Anti-Arson Reward**

We will pay for information which leads to an arson conviction in connection with a fire or explosion loss covered under this policy. The most we will pay under this Extension is \$15,000, regardless of the number of persons involved in providing that information. No deductible applies to this Extension.

**I. Anti-Theft/Vandalism Reward**

We will pay for information which leads to a conviction in connection with a covered loss caused by theft or vandalism, or any combination of these causes of loss. The most we will pay under this Extension is 5% of the loss up to \$5,000, regardless of the number of persons involved in providing that information. No deductible applies to this Extension.

**m. Fire Extinguisher Recharge; Refrigerated Products Loss; Automatic Fire Suppression Recharge -- Blanket Insurance**

The most we will pay under this Extension is \$10,000 for any one of the following coverages or combinations of coverages:

**(1) Fire Extinguisher Recharge:**

The necessary expenses incurred to recharge a portable fire extinguisher when it has been discharged to combat a fire at the described premises. No deductible applies to this coverage (1).

**(2) Refrigerated Products Loss**

Consequential loss to the contents of deep freeze or refrigerated units on the described premises resulting from power failure to the insured premises; damage to the generating or transmission equipment; or mechanical or electrical failure of the refrigeration system, provided it has been maintained in proper working condition.

With respect to coverage (2), we will pay under this Extension when the loss or damage exceeds \$500, and we will only pay for the part of the loss or damage that exceeds \$500.

**(3) Automatic Fire Suppression Recharge**

You may extend the insurance provided by this Coverage Form to apply to the necessary expenses incurred to recharge

any automatic fire suppression system when the loss is caused by leakage or discharge.

This Extension applies only if the leakage or discharge is caused by a Covered Cause of Loss. No deductible applies to this coverage.

**n. Dwelling Personal Property**

You may extend the insurance that applies to any dwelling occupied by not more than four families and described in the Declarations Page to apply to personal property in that dwelling that is owned by you for use by an employee.

The most we will pay for loss or damage to property in the dwelling under this Extension is \$2,500.

Each of these Extensions is additional insurance. The Additional Condition, Coinsurance, does not apply to these Extensions.

**B. EXCLUSIONS AND LIMITATIONS**

See applicable Causes of Loss Form as shown in the Declarations.

**C. LIMITS OF INSURANCE**

The most we will pay for loss or damage in any one occurrence is the applicable Limit of Insurance shown in the Declarations.

The limits applicable to the Coverage Extensions and the following Additional Coverages:

1. Fire Department Service Charge;
2. Pollutant Clean Up and Removal;
3. Ordinance or Law coverage for the increased cost to repair or reconstruct property and the amount actually spent to demolish and clear the site of the undamaged parts of the property;
4. Indirect Loss; and
5. Electronic Data

are in addition to the Limits of Insurance.

Payments under the following Additional Coverages will not increase the applicable Limit of Insurance.

1. Preservation of Property;
2. Damage to Buildings from Theft, Burglary or Robbery; or
3. Sewer, Drain or Sump Backup or Overflow.
4. Ordinance or Law Coverage for the actual loss in value resulting from the required demolition of the undamaged parts of the same property.

#### D. DEDUCTIBLE

In any one occurrence of loss or damage (hereinafter referred to as loss), we will first reduce the amount of loss if required by the Coinsurance Additional Condition or the Agreed Value Optional Coverage. If the adjusted amount of loss is less than or equal to the Deductible, we will not pay for that loss. If the adjusted amount of loss exceeds the Deductible, we will then subtract the Deductible from the adjusted amount of loss, and will pay the resulting amount or the Limit of Insurance, whichever is less.

When the occurrence involves loss to more than one item of Covered Property and separate Limits of Insurance apply, the losses will not be combined in determining application of the Deductible. But the Deductible will be applied only once per occurrence.

##### Example No. 1:

(This example assumes there is no coinsurance penalty.)

Deductible \$250

Limit of Insurance -- Bldg. 1: \$60,000  
Limit of Insurance -- Bldg. 2: \$80,000

Loss to Bldg. 1: \$60,100  
Loss to Bldg. 2: \$90,000

The amount of loss to Bldg. 1 (\$60,100) is less than the sum (\$60,250) of the Limit of Insurance applicable to Bldg. 1 plus the Deductible.

The Deductible will be subtracted from the amount of loss in calculating the loss payable for Bldg. 1:

\$60,100	
- 250	
\$59,850	Loss Payable -- Bldg. 1

The Deductible applies once per occurrence and therefore is not subtracted in determining the amount of loss payable for Bldg. 2. Loss payable for Bldg. 2 is the Limit of Insurance of \$80,000.

Total amount of loss payable: \$59,850 + \$80,000 = \$139,850

##### Example No. 2:

(This example, too, assumes there is no coinsurance penalty.)

The Deductible and Limits of Insurance are the same as those in Example No. 1.

Loss to Bldg. 1: \$70,000 (exceeds Limit of Insurance plus Deductible)

Loss to Bldg. 2: \$90,000 (exceeds Limit of Insurance plus Deductible)

Loss Payable -- Bldg. 1: \$60,000 (Limit of Insurance)

Loss Payable -- Bldg. 2: \$80,000 (Limit of Insurance)

Total amount of loss payable: \$140,000

#### E. LOSS CONDITIONS

The following conditions apply in addition to the Common Policy Conditions and the Commercial Property Conditions.

With respect to a form which is applicable to this Coverage Part and is subject to the provisions of this Coverage Form, a reference in such form to:

Actual Cash Value Condition;  
Loss Condition, Actual Cash Value;  
Actual Cash Value in the Valuation  
Loss Condition; or

Valuation Condition providing Actual  
Cash Value;

shall be construed as a reference to Optional Coverage, Actual Cash Value in this Coverage Form, except as provided in g. of 7. Valuation.

##### 1. Abandonment

There can be no abandonment of any property to us.

## 2. Appraisal

If we and you disagree on the value of the property or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the value of the property and amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding.

Each party will:

- a. Pay its chosen appraiser; and
- b. Bear the other expenses of the appraisal and umpire equally.

If there is an appraisal, we will still retain our right to deny the claim.

## 3. Duties In The Event Of Loss Or Damage

- a. You must see that the following are done in the event of loss or damage to Covered Property:
  - (1) Notify the police if a law may have been broken.
  - (2) Give us prompt notice of the loss or damage. Include a description of the property involved.
  - (3) As soon as possible, give us a description of how, when and where the loss or damage occurred.
  - (4) Take all reasonable steps to protect the Covered Property from further damage, and keep a record of your expenses necessary to protect the Covered Property, for consideration in the settlement of the claim. This will not increase the Limit of Insurance. However, we will not pay for any subsequent loss or damage resulting from a cause of loss that is not a Covered Cause of Loss. Also, if feasible, set the damaged property aside and in the best possible order for examination.

- (5) At our request, give us complete inventories of the damaged and undamaged property. Include quantities, costs, values and amount of loss claimed.

- (6) As often as may be reasonably required, permit us to inspect the property proving the loss or damage and examine your books and records.

Also permit us to take samples of damaged and undamaged property for inspection, testing and analysis, and permit us to make copies from your books and records.

- (7) Send us a signed, sworn proof of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.

- (8) Cooperate with us in the investigation or settlement of the claim.

- b. We may examine any insured under oath, while not in the presence of any other insured and at such times as may be reasonably required, about any matter relating to this insurance or the claim, including an insured's books and records. In the event of an examination, an insured's answers must be signed.

## 4. Loss Payment

- a. In the event of loss or damage covered by this Coverage Form, at our option, we will either:
  - (1) Pay the value of lost or damaged property;
  - (2) Pay the cost of repairing or replacing the lost or damaged property, subject to **b.** below;
  - (3) Take all or any part of the property at an agreed or appraised value; or
  - (4) Repair, rebuild or replace the property with other property of like kind and quality, subject to **b.** below.

We will determine the value of lost or damaged property, or the cost of its repair or replacement, in accordance with the applicable terms of the Valuation Condition in this Coverage Form or any applicable provision which amends or supersedes the Valuation Condition.

- b. The cost to repair, rebuild or replace does not include the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property.
- c. We will give notice of our intentions within 30 days after we receive the sworn proof of loss.
- d. We will not pay you more than your financial interest in the Covered Property.
- e. We may adjust losses with the owners of lost or damaged property if other than you. If we pay the owners, such payments will satisfy your claims against us for the owners' property. We will not pay the owners more than their financial interest in the Covered Property.
- f. We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.
- g. We will pay for covered loss or damage within 30 days after we receive the sworn proof of loss, if you have complied with all the terms of this Coverage Part and:
  - (1) We have reached agreement with you on the amount of loss; or
  - (2) An appraisal award has been made.

## 5. Recovered Property

If either you or we recover any property after loss settlement, that party must give the other prompt notice. At your option, the property will be returned to you. You must then return to us the amount we paid to you for the property. We will pay recovery expenses and the expenses to repair the recovered property, subject to the Limit of Insurance.

## 6. Vacancy

### a. Description of Terms

(1) As used in this Vacancy Condition, the term building and the term vacant have the meanings set forth in (1)(a) and (1)(b) below:

(a) When this policy is issued to a tenant, and with respect to that tenant's interest in Covered Property, building means the unit or suite rented or leased to the tenant. Such building is vacant when it does not contain enough business personal property to conduct customary operations.

(b) When this policy is issued to the owner or general lessee of a building, building means the entire building. Such building is vacant unless at least 31% of its total square footage is:

(i) Rented to a lessee or sub-lessee and used by the lessee or sub-lessee to conduct its customary operations; and/or

(ii) Used by the building owner to conduct customary operations;

(2) Buildings under construction or renovation are not considered vacant.

(3) Dwellings maintained for occupancy by a "minister" or staff member, whether paid or not, will not be considered vacant at any time.

### b. Vacancy Provisions

If the building where loss or damage occurs has been vacant for more than 60 consecutive days before that loss or damage occurs:

(1) We will not pay for loss or damage caused by any of the following even if they are Covered Causes of Loss:

- (a) Vandalism;
- (b) Sprinkler leakage, unless you have protected the system against freezing;
- (c) Building glass breakage;
- (d) Water damage;
- (e) Theft; or
- (f) Attempted theft.

- (2) With respect to Covered Causes of Loss other than those listed in b.(1)(a) through b.(1)(f) above, we will reduce the amount we would otherwise pay for the loss or damage by 15%.

## 7. Valuation

We will determine the value of Covered Property in the event of loss or damage as follows:

- a. At replacement cost (without deduction for depreciation), except as provided in g., h., i. and j. below.
- b. This condition does not apply to:
  - (1) Personal property of others except property covered under Coverage Extension, Personal Effects and Property of Others.
  - (2) Contents of residence;
  - (3) Works of art, antiques or rare articles, including etchings, pictures, statuary, marbles, bronzes, porcelains and bric-a-brac; or
  - (4) "Stock," unless the including "Stock" option is shown in the Declarations.

The value of covered property in (1), (2) and (3) will be determined at actual cash value.

Under the terms of Replacement Cost, Tenants Improvements and Betterments are not considered to be the personal property of others.

- c. You may make a claim for loss or damage covered by this insurance on an actual cash value basis instead of

on a replacement cost basis. In the event you elect to have loss or damage settled on an actual cash value basis, you may still make a claim for the additional coverage that replacement cost coverage provides if you notify us of your intent to do so within 180 days after the loss or damage.

- d. We will not pay on a replacement cost basis for any loss or damage:

- (1) Until the lost or damaged property is actually repaired or replaced; and
- (2) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage.

With respect to tenants' improvements and betterments, the following also apply:

- (3) If the conditions in d.(1) and d.(2) above are not met, the value of tenants' improvements and betterments will be determined as a proportion of your original cost, as set forth in the Valuation Condition j. of this Coverage Form; and
- (4) We will not pay for loss or damage to tenants' improvements and betterments if others pay for repairs or replacement.
- e. We will not pay more for loss or damage on a replacement cost basis than the least of (1), (2) or (3), subject to f. below:
  - (1) The Limit of Insurance applicable to the lost or damaged property;
  - (2) The cost to replace, on the same premises, the lost or damaged property with other property:
    - (a) Of comparable material and quality; and
    - (b) Used for the same purpose; or
  - (3) The amount actually spent that is necessary to repair or replace the lost or damaged property.

If a building is rebuilt at a new premises, the cost described in **e.(2)** above is limited to the cost which would have been incurred if the building had been rebuilt at the original premises.

**f.** The cost of repair or replacement does not include the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property, except as provided in the Additional Coverages.

**g.** When a form, which is applicable to this Coverage Part and is subject to the provisions of this Coverage Form, indicates it replaces subparagraphs **a.** and **b.**, or the Actual Cash Value part, of the Valuation condition, such form shall be construed as replacing subparagraphs **a., b. c., d., e. and f.** of this condition, except when Optional Coverage, Actual Cash Value in this Coverage Form applies.

**h.** "Stock" you have sold but not delivered at the selling price less discounts and expenses you otherwise would have had.

**i.** Glass at the cost of replacement with safety glazing material if required by law.

**j.** Tenant's Improvements and Betterments at:

**(1)** Actual cash value of the lost or damaged property if you make repairs promptly.

**(2)** A proportion of your original cost if you do not make repairs promptly. We will determine the proportionate value as follows:

**(a)** Multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and

**(b)** Divide the amount determined in **(a)** above by the number of days from the installation of improvements to the expiration of the lease.

If your lease contains a renewal option, the expiration of the renewal option period will replace

the expiration of the lease in this procedure.

**(3)** Nothing if others pay for repairs or replacement.

## F. ADDITIONAL CONDITIONS

The following conditions apply in addition to the Common Policy Conditions and the Commercial Property Conditions.

### 1. Coinsurance

If a Coinsurance percentage is shown in the Declarations, the following applies:

**a.** We will not pay the full amount of any loss if the value of Covered Property at the time of loss times the Coinsurance percentage shown for it in the Declarations is greater than the Limit of Insurance for the property.

Instead, we will determine the most we will pay using the following steps:

**(1)** Multiply the value of Covered Property at the time of loss by the Coinsurance percentage;

**(2)** Divide the Limit of Insurance of the property by the figure determined in step **(1)**;

**(3)** Multiply the total amount of loss, before the application of any deductible, by the figure determined in step **(2)**; and

**(4)** Subtract the deductible from the figure determined in step **(3)**.

We will pay the amount determined in step **(4)** or the limit of insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

**Example No. 1** (Underinsurance):

When:

The value of the property is:	\$250,000
The Coinsurance percentage for it is:	80%
The Limit of Insurance for it is:	\$100,000
The Deductible is:	\$250
The amount of loss is:	\$40,000

Step (1):  $\$250,000 \times 80\% =$   
 $\$200,000$  (the minimum amount of  
 insurance to meet your Coinsurance  
 requirements)

Step (2):  $\$100,000 \div \$200,000 =$   
 .50

Step (3):  $\$40,000 \times .50 = \$20,000$

Step (4):  $\$20,000 - \$250 = \$19,750$

We will pay no more than \$19,750.  
 The remaining \$20,250 is not  
 covered.

#### Example No. 2 (Adequate Insurance):

When:

The value of the property  
 is:  $\$250,000$   
 The Coinsurance percentage  
 for it is: 80%  
 The Limit of Insurance  
 for it is:  $\$200,000$   
 Deductible is:  $\$250$   
 The amount of loss is:  $\$40,000$

The minimum amount of insurance to  
 meet your Coinsurance requirement  
 is \$200,000 ( $\$250,000 \times 80\%$ ).  
 Therefore, the Limit of Insurance in  
 this Example is adequate and no  
 penalty applies. We will pay no more  
 than \$39,750 (\$40,000 amount of  
 loss minus the deductible of \$250).

- b. If one Limit of Insurance applies to  
 two or more separate items, this  
 condition will apply to the total of all  
 property to which the limit applies.

#### Example No. 3:

When:

The value of property is:  
 Bldg. at Location No. 1  $\$75,000$   
 Bldg. at Location No. 2  $\$100,000$

Personal Property at  
 Location No. 2  $\$75,000$   
 $\$250,000$

The Coinsurance percentage  
 for it is 90%

The Limit of Insurance for  
 Buildings and Personal  
 Property at Location  
 Nos. 1 and 2 is  $\$180,000$

The Deductible is  $\$1,000$

The amount of loss is:  
 Bldg. at Location No. 2  $\$30,000$

Personal Property at  
 Location No. 2  $\$20,000$   
 $\$50,000$

Step (1):  $\$250,000 \times 90\% =$   
 $\$225,000$  (the minimum amount of  
 insurance to meet your Coinsurance  
 requirements and to avoid the penalty  
 shown below)

Step (2):  $\$180,000 \div \$225,000 =$   
 .80

Step (3):  $\$50,000 \times .80 = \$40,000$

Step (4):  $\$40,000 - \$1,000 =$   
 $\$39,000$

We will pay no more than \$39,000.  
 The remaining \$11,000 is not  
 covered.

## 2. Mortgageholders

- a. The term mortgageholder includes trustee.
- b. We will pay for covered loss of or damage to buildings or structures to each mortgageholder shown in the Declarations in their order of precedence, as interests may appear.
- c. The mortgageholder has the right to receive loss payment even if the mortgageholder has started foreclosure or similar action on the building or structure.
- d. If we deny your claim because of your acts or because you have failed to comply with the terms of this Coverage Part, the mortgageholder will still have the right to receive loss payment if the mortgageholder:
  - (1) Pays any premium due under this Coverage Part at our request if you have failed to do so;
  - (2) Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so; and
  - (3) Has notified us of any change in ownership, occupancy or

substantial change in risk known to the mortgageholder.

All of the terms of this Coverage Part will then apply directly to the mortgageholder.

- e. If we pay the mortgageholder for any loss or damage and deny payment to you because of your acts or because you have failed to comply with the terms of this Coverage Part:

- (1) The mortgageholder's rights under the mortgage will be transferred to us to the extent of the amount we pay; and
- (2) The mortgageholder's right to recover the full amount of the mortgageholder's claim will not be impaired.

At our option, we may pay to the mortgageholder the whole principal on the mortgage plus any accrued interest. In this event, your mortgage and note will be transferred to us and you will pay your remaining mortgage debt to us.

- f. If we cancel this policy, we will give written notice to the mortgageholder at least:

- (1) 10 days before the effective date of cancellation if we cancel for your nonpayment of premium; or
- (2) 30 days before the effective date of cancellation if we cancel for any other reason.

- g. If we elect not to renew this policy, we will give written notice to the mortgageholder at least 10 days before the expiration date of this policy.

#### G. OPTIONAL COVERAGES

If shown as applicable in the Declarations, the following Optional Coverages apply separately to each item.

With respect to a form which is applicable to this Coverage Part and is subject to the provisions of this Coverage Form, a reference in such form to:

Replacement Cost Optional Coverage;  
Replacement Cost Coverage Option; or  
Optional Coverage, Replacement Cost;

Shall be construed as a reference to subparagraphs a., b., c., d., e. and f. of Loss Condition, Valuation in this Coverage Form.

#### 1. Agreed Value

- a. The Additional Condition, Coinsurance, does not apply to Covered Property to which this Optional Coverage applies. We will pay no more for loss of or damage to that property than the proportion that the Limit of Insurance under this Coverage Part for the property bears to the Agreed Value shown for it in the Declarations.
- b. If the expiration date for this Optional Coverage shown in the Declarations is not extended, the Additional Condition, Coinsurance, is reinstated and this Optional Coverage expires.
- c. The terms of this Optional Coverage apply only to loss or damage that occurs:

- (1) On or after the effective date of this Optional Coverage; and
- (2) Before the Agreed Value expiration date shown in the Declarations or the policy expiration date, whichever occurs first.

#### 2. Inflation Protection

The Limit of Insurance for property to which this optional coverage applies shall automatically be adjusted in accordance with the current local cost index.

#### 3. Actual Cash Value

Actual Cash Value is calculated as the amount it would cost to repair or replace covered property, at the time of loss or damage, with material of like kind and quality, subject to a deduction for deterioration or depreciation however caused. Actual Cash Value applies to valuation of Covered Property regardless of whether that property has sustained partial or total loss or damage. The Actual Cash Value of the lost or damaged property may be significantly less than its replacement cost.

When this optional coverage applies and a form, which is applicable to this Coverage Part and is subject to the provisions of this Coverage Form, indicates it modifies subparagraphs a. and b., or the Actual Cash Value part, of the Valuation condition, such form shall be construed as modifying this optional coverage.

- a. Actual Cash Value replaces replacement cost provisions a., b., c., d., e. and f. in the Loss Condition, Valuation, of this Coverage Form.
- b. If a coinsurance percentage of 80% or more or a Value Reporting period symbol is shown in the Declaration, and the cost to repair or replace the damaged building property is \$5,000 or less, we will pay the cost of building repairs or replacement.

The cost of building repairs or replacement does not include the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property.

However, the following property will be valued at the actual cash value even when attached to the building:

- (1) Awnings of fabric construction; and
- (2) Outdoor equipment;

whether permanently attached to the building structure or not.

## H. DEFINITIONS

1. **"Business Income"** means the "Net Income" that the insured would have incurred or earned, plus continuing normal operating expenses incurred, including payroll. "Business Income" includes "Rental Value", however, it does not include "Tuition Fees."
2. **"Electronic Data"** means information, facts or computer programs stored as or on, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy disks, CD-ROM's, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment. The

term computer programs, referred to in the foregoing description of electronic data, means a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data.

3. **"Extra Expense"** means the excess (if any) of total cost incurred during the "period of restoration" chargeable to your operations, over and above the total cost that would have been incurred to conduct the business during the same period had no damage or destruction occurred. The salvage value of property obtained for temporary use during the "period of restoration" which remains after the resumption of normal operations shall be taken into consideration in the adjustment of any loss.
4. **"Fungus"** means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.
5. **"Minister"** means a person employed by the named insured to attend to the spiritual needs of the congregation. Employed by the named insured includes duly assigned to or appointed by the named insured.
6. **"Net Income"** means total receipts less operating expenses.
7. **"Operations"** means:
  - a. Your business activities occurring at the described premises; and
  - b. The tenantability of the described premises.
8. **"Period of Restoration"** means the period of time that:
  - a. Begins:
    - (i) 72 hours after the time of direct physical loss or damage for "Business Income" coverage; or
    - (ii) Immediately after the time of direct physical loss or damage for "Extra Expense" coverage;

caused by or resulting from any Covered Cause of Loss at the described premises; and

## b. Ends on the earlier of:

- (i) The date when the property at the described premises should be repaired, rebuilt or replaced with reasonable speed and similar quality; or
- (ii) The date when business is resumed at a new permanent location.

"Period of restoration" does not include any increased period required due to the enforcement of any ordinance or law that:

- (i) Regulates the construction, use or repair, or requires the tearing down of any property; or
- (ii) Requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants".

The effective date of this policy will not cut short the "period of restoration".

9. **"Pollutants"** means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

10. **"Rental Value"** means":

- a. "Net Income" that would have been earned or incurred as rental income from tenant occupancy of the

premises described in the Declarations as furnished and equipped by you, including fair rental value of any portion of the described premises which is occupied by you; and

- b. Continuing normal operating expenses incurred in connection with that premises, including:

- (i) Payroll; and

- (ii) The amount of charges which are the legal obligation of the tenant(s) but would otherwise be your obligations.

11. **"School Term"** means the annual period beginning in the fall as prescribed or as would be prescribed in the school catalog.

12. **"Stock"** means merchandise held in storage or for sale, raw materials and in-process or finished goods, including supplies used in their packaging or shipping.

13. **"Suspension"** means:

- a. The slowdown or cessation of your business activities; or
- b. That a part or all of the described premises is rendered untenable.

14. **"Tuition fees"** means the sum of tuition, fees and other income from students, including fees from room, board, laboratories and other similar sources.

**CAUSES OF LOSS -- SPECIAL FORM****CORNERSTONE PLUS**

Words and phrases that appear in quotation marks have special meaning. Refer to Section G. -- Definitions.

**A. COVERED CAUSES OF LOSS**

When Special is shown in the Declarations, Covered Causes of Loss means Risks Of Direct Physical Loss unless the loss is:

1. Excluded in Section B., Exclusions; or
2. Limited in Section C., Limitations;

that follow.

**B. EXCLUSIONS**

1. We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

**a. Ordinance or Law**

The enforcement of any ordinance or law:

- (1) Regulating the construction, use or repair of any property; or
- (2) Requiring the tearing down of any property, including the cost of removing its debris.

This exclusion, Ordinance or Law, applies whether the loss results from:

- (1) An ordinance or law that is enforced even if the property has not been damaged; or
- (2) The increased costs incurred to comply with an ordinance or law in the course of construction, repair, renovation, remodeling or demolition of property, or removal of its debris, following a physical loss to that property.

**b. Earth Movement**

- (1) Earthquake, including any earth sinking, rising or shifting related to such event;

- (2) Landslide, including any earth sinking, rising or shifting related to such event;

- (3) Mine subsidence, meaning subsidence of a man-made mine, whether or not mining activity has ceased;

- (4) Earth sinking (other than sinkhole collapse), rising or shifting including soil conditions which cause settling, cracking or other disarrangement of foundations or other parts of realty. Soil conditions include contraction, expansion, freezing, thawing, erosion, improperly compacted soil and the action of water under the ground surface.

But if Earth Movement, as described in b.(1) through (4) above, results in fire or explosion, we will pay for the loss or damage caused by that fire or explosion.

- (5) Volcanic eruption, explosion or effusion. But if volcanic eruption, explosion or effusion results in fire, building glass breakage or Volcanic Action, we will pay for the loss or damage caused by that fire, building glass breakage or Volcanic Action.

Volcanic Action means direct loss or damage resulting from the eruption of a volcano when the loss or damage is caused by:

- (a) Airborne volcanic blast or airborne shock waves;
- (b) Ash, dust or particulate matter; or
- (c) Lava flow.

All volcanic eruptions that occur within any 168 hour period will constitute a single occurrence.

Volcanic Action does not include the cost to remove ash, dust or particulate matter that does not

cause direct physical loss or damage to the described property.

authority using military personnel or other agents; or

**c. Governmental Action**

Seizure or destruction of property by order of governmental authority.

But we will pay for loss or damage caused by or resulting from acts of destruction ordered by governmental authority and taken at the time of a fire to prevent its spread, if the fire would be covered under this Coverage Part.

**d. Nuclear Hazard**

Nuclear reaction or radiation, or radioactive contamination, however caused.

But if nuclear reaction or radiation, or radioactive contamination, results in fire, we will pay for the loss or damage caused by that fire.

**e. Utility Services**

The failure of power or other utility service supplied to the described premises, however caused, if the failure occurs away from the described premises. Failure includes lack of sufficient capacity and reduction in supply.

But if the failure of power or other utility service results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.

This exclusion does not apply to the Business Income coverage or to Extra Expense coverage. Instead, the Special Exclusion in Paragraph B.4.a.(1) applies to these coverages.

**f. War And Military Action**

- (1) War, including undeclared or civil war;
- (2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other

- (3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

**g. Water**

- (1) Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;
- (2) Mudslide or mudflow;
- (3) Water that backs up or overflows from a sewer, drain or sump, except as provided in the Additional Coverages; or
- (4) Water under the ground surface pressing on, or flowing or seeping through:
  - (a) Foundations, walls, floors or paved surfaces;
  - (b) Basements, whether paved or not; or
  - (c) Doors, windows or other openings.

But if water, as described in g.(1) through g.(4) above, results in fire, explosion or sprinkler leakage, we will pay for the loss or damage caused by that fire, explosion or sprinkler leakage.

**h. "Fungus", Wet Rot, Dry Rot And Bacteria**

Presence, growth, proliferation, spread or any activity of "fungus", wet or dry rot or bacteria.

But if "fungus", wet or dry rot or bacteria results in a "specified cause of loss", we will pay for the loss or damage caused by that "specified cause of loss".

This exclusion does not apply:

1. When "fungus", wet or dry rot or bacteria results from fire or lightning; or

2. To the extent that coverage is provided in the Additional Coverage -- Limited Coverage For "Fungus", Wet Rot, Dry Rot And Bacteria with respect to loss or damage by a cause of loss other than fire or lightning.

Exclusions B.1.a. through B.1.h. apply whether or not the loss event results in widespread damage or affects a substantial area.

2. We will not pay for loss or damage caused by or resulting from any of the following:

- a. Artificially generated electrical current, including electric arcing, that disturbs electrical devices, appliances or wires.

But if artificially generated electrical current results in fire, we will pay for loss or damage caused by that fire.

- b. Delay, loss of use or loss of market.
- c. Smoke, vapor or gas from agricultural smudging or industrial operations.
- d. (1) Wear and tear;
- (2) Rust or other corrosion, decay, deterioration, hidden or latent defect or any quality in property that causes it to damage or destroy itself;
- (3) Smog;
- (4) Settling, cracking, shrinking or expansion;
- (5) Nesting or infestation, or discharge or release of waste products or secretions, by insects, birds, rodents or other animals;
- (6) Mechanical breakdown, including rupture or bursting caused by centrifugal force. But if mechanical breakdown results in elevator collision, we will pay for the loss or damage caused by that elevator collision.

- (7) The following causes of loss to personal property:

- (a) Dampness or dryness of atmosphere;

- (b) Changes in or extremes of temperature; or

- (c) Marring or scratching.

But if an excluded cause of loss that is listed in 2.d.(1) through (7) results in a "specified cause of loss" or building glass breakage, we will pay for the loss or damage caused by that "specified cause of loss" or building glass breakage.

- e. Explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control. But if explosion of steam boilers, steam pipes, steam engines or steam turbines results in fire or combustion explosion, we will pay for the loss or damage caused by that fire or combustion explosion. We will also pay for loss or damage caused by or resulting from the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.

- f. Continuous or repeated seepage or leakage of water, or the presence or condensation of humidity, moisture or vapor, that occurs over a period of 14 days or more.

- g. Water, other liquids, powder or molten material that leaks or flows from plumbing, heating, air conditioning or other equipment (except fire protective systems) caused by or resulting from freezing, unless:

- (1) You do your best to maintain heat in the building structure; or

- (2) You drain the equipment and shut off the supply if the heat is not maintained.

- h. Dishonest or criminal act by you, any of your partners, officers, managers, employees (including leased employees), directors, trustees, authorized representatives or anyone

to whom you entrust the property for any purpose:

- (1) Acting alone or in collusion with others; or
- (2) Whether or not occurring during the hours of employment.

This exclusion does not apply to acts of destruction by your employees (including leased employees); but theft by employees (including leased employees) is not covered.

i. Voluntary parting with any property by you or anyone else to whom you have entrusted the property if induced to do so by any fraudulent scheme, trick, device or false pretense.

j. Rain, snow, ice or sleet to personal property in the open.

k. Collapse, except as provided below in the Additional Coverage for Collapse. But if collapse results in a Covered Cause of Loss at the described premises, we will pay for the loss or damage caused by that Covered Cause of Loss.

l. Discharge, dispersal, seepage, migration, release or escape of "pollutants" unless the discharge, dispersal, seepage, migration, release or escape is itself caused by any of the "specified causes of loss." But if the discharge, dispersal, seepage, migration, release or escape of "pollutants" results in a "specified cause of loss," we will pay for the loss or damage caused by that "specified cause of loss."

This exclusion, l., does not apply to damage to glass caused by chemicals applied to the glass.

m. Neglect of an insured to use all reasonable means to save and preserve property from further damage at and after the time of loss.

3. We will not pay for loss or damage caused by or resulting from any of the following, 3.a. through 3.c. But if an excluded cause of loss that is listed in 3.a. through 3.c. results in a Covered Cause of Loss, we will pay for the loss or

damage caused by that Covered Cause of Loss.

a. Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in Paragraph 1. above to produce the loss or damage.

b. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.

c. Faulty, inadequate or defective:

(1) Planning, zoning, development, surveying, siting;

(2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;

(3) Materials used in repair, construction, renovation or remodeling; or

(4) Maintenance;

of part or all of any property on or off the described premises.

#### 4. Special Exclusions

The following provisions apply only to the specified Coverage Forms.

a. **Business Income (And Extra Expense) Coverage Form, Business Income (Without Extra Expense) Coverage Form, or Extra Expense Coverage Form**

We will not pay for:

(1) Any loss caused directly or indirectly by the failure of power or other utility service supplied to the described premises, however caused, if the failure occurs outside of a covered building. Failure includes lack of sufficient capacity and reduction in supply.

But if the failure of power or other utility service results in a Covered Cause of Loss, we will pay for the loss resulting from that Covered Cause of Loss.

(2) Any loss caused by or resulting from:

(a) Damage or destruction of "finished stock"; or

(b) The time required to reproduce "finished stock."

This exclusion does not apply to Extra Expense.

(3) Any loss caused by or resulting from direct physical loss or damage to radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers.

(4) Any increase of loss caused by or resulting from:

(a) Delay in rebuilding, repairing or replacing the property or resuming "operations," due to interference at the location of the rebuilding, repair or replacement by strikers or other persons; or

(b) Suspension, lapse or cancellation of any license, lease or contract. But if the suspension, lapse or cancellation is directly caused by the "suspension" of "operations," we will cover such loss that affects your Business Income during the "period of restoration" and any extension of the "period of restoration" in accordance with the terms of the Extended Business Income Additional Coverage and the Extended Period of Indemnity Optional Coverage or any variation of these.

(5) Any Extra Expense caused by or resulting from suspension, lapse or cancellation of any license, lease or contract beyond the "period of restoration."

(6) Any other consequential loss.

#### **b. Leasehold Interest Coverage Form**

(1) Paragraph B.1.a. Ordinance or Law, does not apply to insurance under this Coverage Form.

(2) We will not pay for any loss caused by:

(a) Your canceling the lease;

(b) The suspension, lapse or cancellation of any license; or

(c) Any other consequential loss.

#### **c. Legal Liability Coverage Form**

(1) The following Exclusions do not apply to insurance under this Coverage Form:

(a) Paragraph B.1.a., Ordinance or Law;

(b) Paragraph B.1.c., Governmental Action;

(c) Paragraph B.1.d., Nuclear Hazard;

(d) Paragraph B.1.e., Utility Services; and

(e) Paragraph B.1.f., War and Military Action.

(2) The following additional exclusions apply to insurance under this Coverage Form:

##### **(a) Contractual Liability**

We will not defend any claim or "suit," or pay damages that you are legally liable to pay, solely by reason of your assumption of liability in a contract or agreement. But this exclusion does not apply to a written lease agreement in which you have assumed liability for building damage resulting from an actual or attempted burglary or robbery, provided that:

(i) Your assumption of liability was executed prior to the accident; and

(ii) The building is Covered Property under this Coverage Form.

**(b) Nuclear Hazard**

We will not defend any claim or "suit," or pay any damages, loss, expense or obligation resulting from nuclear reaction or radiation, or radioactive contamination, however caused.

**C. LIMITATIONS**

The following limitations apply to all policy forms and endorsements, unless otherwise stated.

1. We will not pay for loss of or damage to property, as described and limited in this section. In addition, we will not pay for any loss that is a consequence of loss or damage as described and limited in this section.

a. Steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment. But we will pay for loss of or damage to such equipment caused by or resulting from an explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.

b. Hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment, other than an explosion.

c. The interior of any building or structure, or to personal property in the building or structure, caused by or resulting from rain, snow, sleet, ice, sand or dust, whether driven by wind or not, unless:

(1) The building or structure first sustains damage by a Covered Cause of Loss to its roof or walls through which the rain, snow, sleet, ice, sand or dust enters; or

(2) The loss or damage is caused by or results from thawing of snow,

sleet or ice on the building or structure.

d. Building materials and supplies not attached as part of the building or structure, caused by or resulting from theft.

However, this limitation does not apply to:

(1) Building materials and supplies held for sale by you, unless they are insured under the Builders Risk Coverage Form; or

(2) Business Income coverage or Extra Expense coverage.

e. Property that is missing, where the only evidence of the loss or damage is a shortage disclosed on taking inventory, or other instances where there is no physical evidence to show what happened to the property.

f. Property that has been transferred to a person or to a place outside the described premises on the basis of unauthorized instructions.

2. We will not pay for loss of or damage to the following types of property unless caused by the "specified causes of loss" or building glass breakage:

a. Animals, and then only if they are killed or their destruction is made necessary.

b. Fragile articles such as statuary, marbles, chinaware and porcelains, if broken. This restriction does not apply to:

(1) Glass; or

(2) Containers of property held for sale.

c. Builders' machinery, tools and equipment owned by you or entrusted to you, provided such property is Covered Property.

However, this limitation does not apply:

(1) If the property is located on or within 100 feet of the described premises, unless the premises is

insured under the Builders Risk Coverage Form; or

- (2) To Business Income coverage or the Extra Expense coverage.

d. Walks.

3. The special limit shown for each category, a. through e., is the total limit for loss of or damage to all property in that category. The special limit applies to any one occurrence of theft, regardless of the types or number of articles that are lost or damaged in that occurrence. The special limits are:

- a. \$2,500 for furs, fur garments and garments trimmed with fur.
- b. \$2,500 for jewelry, watches, watch movements, jewels, pearls, precious and semi-precious stones, bullion, gold, silver, platinum and other precious alloys or metals. This limit does not apply to jewelry and watches worth \$100 or less per item.
- c. \$2,500 for patterns, dyes, molds and forms.
- d. \$500 for stamps, tickets, including lottery tickets held for sale, and letters of credit.
- e. \$1,000 for money and securities. Loss or damage by theft includes the cost of stop payment orders for checks or drafts drawn by persons on their own accounts for payment of money to you as charitable contributions. The limit for this category, e., does not apply to the cost of stop payment orders.

These special limits are part of, not in addition to, the Limit of Insurance applicable to the Covered Property.

This Limitation, C.3., does not apply to Business Income coverage or to Extra Expense coverage.

4. We will not pay the cost to repair any defect to a system or appliance from which water, other liquid, powder or molten material escapes. But we will pay the cost to repair or replace damaged parts of fire extinguishing equipment if the damage:

- a. Results in discharge of any substance from an automatic fire protection system; or
- b. Is directly caused by freezing.

However, this limitation does not apply to Business Income coverage or to Extra Expense coverage.

#### D. ADDITIONAL COVERAGE -- COLLAPSE

The term Covered Cause of Loss includes the Additional Coverage -- Collapse as described and limited in D.1. through D.5. below.

1. With respect to buildings:

- a. Collapse means the actual abrupt falling down or caving in of a building or any part of a building with the result that the building or part of the building cannot be occupied for its intended purpose;
- b. A building or any part of a building that is in danger of falling down or caving in is not considered to be in a state of collapse;
- c. A part of a building that is standing is not considered to be in a state of collapse even if it has separated from another part of the building;
- d. A building that is standing or any part of a building that is standing is not considered to be in a state of collapse even if it shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

2. We will pay for direct physical loss or damage to Covered Property, caused by collapse of a building or any part of a building that is insured under this Coverage Form or that contains Covered Property insured under this Coverage form, if the collapse is caused by one or more of the following:

- a. The "specified causes of loss" or breakage of building glass, all only as insured against in this Coverage Part;
- b. Decay that is hidden from view, unless the presence of such decay is known to an insured prior to collapse;

- c. Insect or vermin damage that is hidden from view, unless the presence of such damage is known to an insured prior to collapse;
  - d. Weight of people or personal property;
  - e. Weight of rain that collects on a roof;
  - f. Use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation. However, if the collapse occurs after construction, remodeling or renovation is complete and is caused in part by a cause of loss listed in 2.a. through 2.e., we will pay for the loss or damage even if use of defective materials or methods, in construction, remodeling or renovation, contributes to the collapse.
- a. Such loss or damage is a direct result of the collapse of a building insured under this Coverage Form; and
  - b. The property is Covered Property under this Coverage Form.
4. If personal property abruptly falls down or caves in and such collapse is not the result of collapse of a building, we will pay for loss or damage to Covered Property caused by such collapse of personal property only if:
- a. The collapse was caused by a Cause of Loss listed in 2.a. through 2.f. above;
  - b. The personal property which collapses is inside a building; and
  - c. The property which collapses is not of a kind listed in 3. above, regardless of whether that kind of property is considered to be personal property or real property.

The criteria set forth in 1.a. through 1.d. do not limit the coverage otherwise provided under this Causes of Loss Form for the causes of loss listed in 2.a., 2.d. and 2.e.

3. With respect to the following property:

- a. Outdoor radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers;
- b. Awnings, gutters and downspouts;
- c. Yard fixtures;
- d. Outdoor swimming pools;
- e. Fences;
- f. Piers, wharves and docks;
- g. Beach or diving platforms or appurtenances;
- h. Retaining walls; and
- i. Walks, roadways and other paved surfaces;

if the collapse is caused by a cause of loss listed in 2.b. through 2.f., we will pay for loss or damage to that property only if:

The coverage stated in this Paragraph 4. does not apply to personal property if marring and/or scratching is the only damage to that personal property caused by the collapse.

Collapse of personal property does not mean cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

5. This Additional Coverage, Collapse, will not increase the Limits of Insurance provided in this Coverage Part.

**E. ADDITIONAL COVERAGE -- LIMITED COVERAGE FOR "FUNGUS", WET ROT, DRY ROT AND BACTERIA**

1. The coverage described in E.2. and E.6. only applies when the "fungus", wet or dry rot or bacteria is the result of one or more of the following causes that occurs during the policy period and only if all reasonable means were used to save and preserve the property from further damage at the time of and after that occurrence.

- a. A "specified cause of loss" other than fire or lightning; or

b. Flood, if the Flood Coverage Endorsement applies to the affected premises.

2. We will pay for loss or damage by "fungus", wet or dry rot or bacteria. As used in this Limited Coverage, the term loss or damage means:

- a. Direct physical loss or damage to Covered Property caused by "fungus", wet or dry rot or bacteria, including the cost of removal of the "fungus", wet or dry rot or bacteria;
- b. The cost to tear out and replace any part of the building or other property as needed to gain access to the "fungus", wet or dry rot or bacteria; and
- c. The cost of testing performed after removal, repair, replacement or restoration of the damaged property is completed, provided there is a reason to believe that "fungus", wet or dry rot or bacteria are present.

3. The coverage described under E.2. of this Limited Coverage is limited to \$15,000. Regardless of the number of claims, this limit is the most we will pay for the total of all loss or damage arising out of all occurrences of "specified causes of loss" (other than fire or lightning) and Flood which take place in a 12-month period (starting with the beginning of the present annual policy period). With respect to a particular occurrence of loss which results in "fungus", wet or dry rot or bacteria, we will not pay more than a total of \$15,000 even if the "fungus", wet or dry rot or bacteria continues to be present or active, or recurs, in a later policy period.

4. The coverage provided under this Limited Coverage does not increase the applicable Limit of Insurance on any Covered Property. If a particular occurrence results in loss or damage by "fungus", wet or dry rot or bacteria, and other loss or damage, we will not pay more, for the total of all loss or damage, than the applicable Limit of Insurance on the affected Covered Property.

If there is covered loss or damage to Covered Property, not caused by "fungus", wet or dry rot or bacteria, loss payment will not be limited by the terms of this Limited Coverage, except to the extent that "fungus", wet or dry rot or bacteria causes an increase in the loss. Any such increase in the loss will be subject to the terms of this Limited Coverage.

5. The terms of this Limited Coverage do not increase or reduce the coverage provided under Paragraph F.2. (Water Damage, Other Liquids, Powder Or Molten Material Damage) of this Causes Of Loss Form or under the Additional Coverage -- Collapse.

6. The following 6.a. or 6.b., applies only if Business Income and/or Extra Expense coverage applies to the described premises and only if the "suspension" of "operations" satisfies all terms and conditions of the applicable Business Income and/or Extra Expense coverage form.

a. If the loss which resulted in "fungus", wet or dry rot or bacteria does not in itself necessitate a "suspension" of "operations", but such "suspension" is necessary due to loss or damage to property caused by "fungus", wet or dry rot or bacteria, then our payment under Business Income and/or Extra Expense is limited to the amount of loss and/or expense sustained in a period of not more than 30 days. The days need not be consecutive.

b. If a covered "suspension" of "operations" was caused by loss or damage other than "fungus", wet or dry rot or bacteria but remediation of "fungus", wet or dry rot or bacteria prolongs the "period of restoration", we will pay for loss and/or expense sustained during the delay (regardless of when such a delay occurs during the "period of restoration"), but such coverage is limited to 30 days. The days need not be consecutive.

**F. ADDITIONAL COVERAGE EXTENSIONS****1. Property In Transit**

See Coverage Extension, Property Off-Premises in BUILDING AND PERSONAL PROPERTY COVERAGE FORM.

**2. Water Damage, Other Liquids, Powder or Molten Material Damage**

If loss or damage caused by or resulting from covered water or other liquid, powder or molten material damage loss occurs, we will also pay the cost to tear out and replace any part of the building or structure to repair damage to the system or appliance from which the water or other substance escapes. This Coverage Extension does not increase the Limit of Insurance.

**3. Glass**

- a. We will pay for expenses incurred to put up temporary plates or board up openings if repair or replacement of damaged glass is delayed.
- b. We will pay for expenses incurred to remove or replace obstructions when repairing or replacing glass that is part of a building. This does not include removing or replacing window displays.

This Coverage Extension E.3., does not increase the Limit of Insurance.

**G. DEFINITIONS**

- 1. "Fungus" means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungus.
- 2. "Specified Causes of Loss" means the following: Fire; lightning; explosion;

windstorm or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; falling objects; weight of snow, ice or sleet; water damage.

With respect to loss or damage to walks by vehicles, vehicles do not include vehicles you own or which are operated in the course of your business.

- a. Sinkhole collapse means the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or dolomite. This cause of loss does not include:

- (1) The cost of filling sinkholes; or
- (2) Sinking or collapse of land into manmade underground cavities.

- b. Falling objects does not include loss or damage to:

- (1) Personal property in the open; or
- (2) The interior of a building or structure, or property inside a building or structure, unless the roof or an outside wall of the building or structure is first damaged by a falling object.

- c. Water damage means accidental discharge or leakage of water or steam as the direct result of the breaking apart or cracking of a plumbing, heating, air conditioning or other system or appliance (other than a sump system including its related equipment and parts), that is located on the described premises and contains water or steam. Water Damage also means accidental overflow of a baptistry.

## LENDER'S LOSS PAYABLE ENDORSEMENT

### THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies insurance provided under the following:

#### BUILDING AND PERSONAL PROPERTY COVERAGE FORM.

Loss or damage, if any, under this policy, shall be paid to the **Payee named on the first page of this policy**, its successors and assigns, herein-after referred to as "the Lender," in whatever form or capacity its interests may appear and whether said interest be vested in said Lender in its individual or in its disclosed or undisclosed fiduciary or representative capacity, or otherwise, or vested in a nominee or trustee of said Lender.

The insurance under this policy, or any rider or endorsement attached thereto, as to the interest only of the Lender, its successors and assigns, shall not be invalidated nor suspended:

- (a) by any error, omission, or change respecting the ownership, description, possession, or location of the subject of the insurance or the interest therein, or the title thereto;
- (b) by the commencement of foreclosure proceedings or the giving of notice of sale of any of the property covered by this policy by virtue of any mortgage or trust deed;
- (c) by any breach of warranty, act, omission, neglect, or non-compliance with any of the provisions of this policy, including any and all riders now or hereafter attached thereto, by the **named insured**, the borrower, mortgagor, trustor, vendee, owner, tenant, warehouseman, custodian, occupant, or by the agents of either or any of them or by the happening of any event permitted by them or either of them, or their agents, or which they failed to prevent, whether occurring before or after the attachment of this endorsement, or whether before or after a loss, which under the provisions of the policy of insurance or of any rider or endorsement attached thereto would invalidate or suspend the insurance as to the **named insured**, excluding herefrom, however, any acts or omissions of the Lender while exercising active control and management of the property.

In the event of failure of the **insured** to pay any premium or additional premium which shall be or become due under the terms of this policy or on

account of any change in occupancy or increase in hazard not permitted by this policy, this Company agrees to give written notice to the Lender of such nonpayment of premium after sixty (60) days from and within one hundred and twenty (120) days after due date of such premium and it is a condition of the continuance of the rights of the Lender hereunder that the Lender when so notified in writing by this Company of the failure of the **insured** to pay such premium shall pay or cause to be paid the premium due within ten (10) days following receipt of the Company's demand in writing therefor. If the Lender shall decline to pay said premium or additional premium, the rights of the Lender under this Lender's Loss Payable Endorsement shall not be terminated before ten (10) days after receipt of said written notice by the Lender.

Whenever this Company shall pay to the Lender any sum for loss or damage under this policy and shall claim that as to the **insured** no liability therefor exists, this Company, at its option, may pay to the Lender the whole principal sum and interest and other indebtedness due or to become due from the **insured**, whether secured or unsecured (with refund of all interest not accrued), and this Company, to the extent of such payment, shall thereupon receive a full assignment and transfer, without recourse, of the debt and all rights and securities held as collateral thereto.

If there be any other insurance upon the within described property, this Company shall be liable under this policy as to the Lender for the proportion of such loss or damage that the sum hereby insured bears to the entire insurance of similar character on said property under policies held by, payable to and expressly consented to by the Lender. Any Contribution Clause included in any Fallen Building Clause Waiver or any Extended Coverage Endorsement attached to this contract of insurance is hereby nullified, and also any Contribution Clause in any other endorsement or rider attached to this contract of insurance is hereby nullified except for Contribution Clauses for the compliance with which the **insured** has received reduction in the rate charged or has

received extension for the coverage to include hazards other than fire and compliance with such Contribution Clause is made a part of the consideration for insuring such other hazards. The Lender upon the payment to it of the full amount of its claim, will subrogate this Company (pro rata with all other insurers contributing to said payment) to all of the Lender's rights of contribution under said other insurance.

This Company reserves the right to cancel this policy at any time, as provided by its terms, but in such case this policy shall continue in force for the benefit of the Lender for ten (10) days after written notice of such cancellation is received by the Lender and then cease.

This policy shall remain in full force and effect as to the interest of the Lender for a period of ten (10) days after its expiration unless an acceptable policy in renewal thereof with loss thereunder payable to the Lender in accordance with the terms of this Lender's Loss Payable Endorsement, shall have been issued by some insurance company and accepted by the Lender.

Should legal title to and beneficial ownership of any of the property covered under this policy become vested in the Lender or its agents, insurance under this policy shall continue for the term thereof for the benefit of the Lender but, in such event, any privileges granted by this Lender's Loss Payable Endorsement which are not also granted the **insured** under the terms and conditions of this policy and/or under other riders or endorsements attached thereto shall not apply to the insurance hereunder as respects such property.

All notices herein provided to be given by the Company to the Lender in connection with this policy and this Lender's Loss Payable Endorsement shall be mailed to or delivered to the Lender at its office or branch described on the first page of the policy.

Approved:  
Board of Fire Underwriters of the Pacific,  
California Bankers' Association, Committee on Insurance.

## **AGREED VALUE ENDORSEMENT**

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**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

This endorsement modifies insurance provided under the following:

### **COMMERCIAL PROPERTY COVERAGE PART**

Unless otherwise indicated on the Declarations, Agreed Value is an Optional Coverage, and not included on this policy.

## EQUIPMENT BREAKDOWN COVERAGE

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

This endorsement modifies insurance provided under the following:

### COMMERCIAL PROPERTY COVERAGE PART

- A. The following is added as Additional Coverage to the Causes of Loss -- Basic Form, Broad Form or Special Form.

#### **Additional Coverage-- Equipment Breakdown**

The term Covered Cause of Loss includes the Additional Coverage Equipment Breakdown as described and limited below.

1. We will pay for direct physical damage to Covered Property that is the direct result of an "accident." As used in this Additional Coverage, "accident" means a fortuitous event that causes direct physical damage to "covered equipment." The event must be one of the following:
  - a. Mechanical breakdown, including rupture or bursting caused by centrifugal force;
  - b. artificially generated electrical current, including electric arcing, that disturbs electrical devices, appliances or wires;
  - c. explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control;
  - d. loss or damage to steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment; or
  - e. loss or damage to hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment.
2. The following coverages also apply to the direct result of an "accident." These

coverages do not provide additional amounts of insurance.

#### **a. Expediting Expenses**

With respect to your damaged Covered Property, we will pay, up to \$50,000, the reasonable extra cost to:

- (1) make temporary repairs; and
- (2) expedite permanent repairs or permanent replacement.

#### **b. Hazardous Substances**

We will pay for the additional cost to repair or replace Covered Property because of contamination by a "hazardous substance." This includes the additional expenses to clean up or dispose of such property.

This does not include contamination of "perishable goods" by refrigerant, including but not limited to ammonia, which is addressed in **2.c.(1)(b)** below. As used in this coverage, additional costs mean those beyond what would have been payable under this Equipment Breakdown Coverage had no "hazardous substance" been involved.

The most we will pay for loss, damage or expense under this coverage, including actual loss of Business Income you sustain and necessary Extra Expense you incur, if shown as covered, is \$50,000.

#### **c. Spoilage**

- (1) We will pay:

(a) for physical damage to "perishable goods" due to spoilage;

(b) for physical damage to "perishable goods" due to contamination from the release of refrigerant, including but not limited to ammonia;

(c) any necessary expenses you incur to reduce the amount of loss under this coverage to the extent that they do not exceed the amount of loss that otherwise would have been payable under this coverage.

(2) If you are unable to replace the "perishable goods" before its anticipated sale, the amount of our payment will be determined on the basis of the sales price of the "perishable goods" at the time of the "accident," less discounts and expenses you otherwise would have had. Otherwise our payment will be determined in accordance with the Valuation condition.

The most we will pay for loss, damage or expense under this coverage is \$100,000.

#### d. Data Restoration

We will pay for your reasonable and necessary cost to research, replace and restore lost "data."

The most we will pay for loss, damage or expense under this coverage, including actual loss of Business Income you sustain and necessary Extra Expense you incur, if shown as covered, is \$50,000.

#### e. Service Interruption

(1) Any insurance provided for Business Income, Extra Expense or Spoilage is extended to apply to your loss, damage or expense caused by an "accident" to

equipment that is owned by a utility, landlord or other supplier with whom you have a contract to supply you with any of the following services: electrical power, waste disposal, air conditioning, refrigeration, heating, natural gas, compressed air, water, steam, internet access, telecommunications services, wide area networks or data transmission. The equipment must meet the definition of "covered equipment" except that it is not Covered Property.

(2) Service Interruption coverage will not apply unless the failure or disruption of service exceeds 24 hours immediately following the "accident."

#### f. Animals

We will pay for loss or damage to animals, that are owned by others and boarded by you, or if owned by you, only as "stock" while inside of buildings.

The most we will pay for loss or damage under this coverage is \$50,000.

### 3. EXCLUSIONS

All exclusions in the Causes of Loss form apply except as modified below and to the extent that coverage is specifically provided by this Additional Coverage Equipment Breakdown.

a. The exclusions are modified as follows:

(1) If the Causes of Loss -- Basic Form or Causes of Loss -- Broad Form applies, the following is added to Exclusion B.2.:

Depletion, deterioration, corrosion, erosion, wear and tear, or other gradually developing conditions. But if an "accident" results, we will pay for the

resulting loss, damage or expense.

- (2) The following is added to Exclusion B.1.g.:

However, if electrical "covered equipment" requires drying out because of Water as described in g.(1) through g.(3) above, we will pay for the direct expenses of such drying out subject to the applicable Limit of Insurance and deductible for Building or Business Personal Property, whichever applies.

- (3) If the Causes of Loss -- Special Form applies, as respects this endorsement only, the last paragraph of Exclusion B.2.d. is deleted and replaced with the following:

But if an excluded cause of loss that is listed in 2.d.(1) through (7) results in an "accident," we will pay for the loss, damage or expense caused by that "accident."

- b. We will not pay under this endorsement for loss, damage or expense caused by or resulting from:

- (1) your failure to use all reasonable means to protect Covered Property from damage following an "accident";
- (2) any defect, programming error, programming limitation, computer virus, malicious code, loss of "data", loss of access, loss of use, loss of functionality or other condition within or involving "data" or "media" of any kind. But if an "accident" results, we will pay for the resulting loss, damage or expense; or

- (3) any of the following tests:

a hydrostatic, pneumatic or gas pressure test of any boiler or pressure vessel, or an electrical insulation breakdown test of any

type of electrical equipment.

- c. With respect to Service Interruption coverage, we will also not pay for an "accident" caused by or resulting from: fire; lightning; windstorm or hail; explosion (except as specifically provided in A.1.c. above); smoke; aircraft or vehicles; riot or civil commotion; vandalism; sprinkler leakage; falling objects; weight of snow, ice or sleet; freezing; collapse; flood or earth movement.

- d. With respect to Business Income, Extra Expense and Service Interruption coverages, we will also not pay for:

- (1) loss caused by your failure to use due diligence and dispatch and all reasonable means to resume business; or
- (2) any increase in loss resulting from an agreement between you and your customer or supplier.

- e. If the Causes of Loss -- Special Form applies, as respects this endorsement only,

- (1) the second paragraph of Exclusion B.1.h. is deleted and replaced with the following: But if "fungus", wet or dry rot or bacteria results in an "accident", we will pay for the loss or damage caused by that "accident".

- (2) If the Causes of Loss-Special form applies, the following is added to E.1.:

c. an "accident."

- (3) If the Causes of Loss -- Special form applies, the phrase "occurrences" of "specified causes of loss" (other than fire or lightning) and "Flood" is replaced with "accidents."

- f. We will not pay under this endorsement for any loss or damage

to land (including land on which the property is located) or lawns.

- g.** We will not pay under this endorsement for any loss or damage to animals (except as specifically provided in A.2.f.(1) above).

#### 4. DEFINITIONS

The following are added to **G. DEFINITIONS**:

**a. "Covered equipment"**

- (1)** "Covered equipment" means Covered Property:

- (a)** that generates, transmits or utilizes energy, including electronic communications and data processing equipment; or
- (b)** which, during normal usage, operates under vacuum or pressure, other than the weight of its contents.

- (2)** None of the following is "covered equipment":

- (a)** structure, foundation, cabinet, compartment or air supported structure or building;
- (b)** insulating or refractory material;
- (c)** sewer piping, underground vessels or piping, or piping forming a part of a sprinkler system;
- (d)** water piping other than boiler feedwater piping, boiler condensate return piping or water piping forming a part of a refrigerating or air conditioning system;
- (e)** "vehicle" or any equipment mounted on a "vehicle";
- (f)** satellite, spacecraft or any equipment mounted on a satellite or spacecraft;

- (g)** dragline, excavation or construction equipment; or

- (h)** equipment manufactured by you for sale.

- b.** "Data" means information or instructions stored in digital code capable of being processed by machinery.

- c.** "Hazardous substance" means any substance that is hazardous to health or has been declared to be hazardous to health by a governmental agency.

- d.** "Media" means material on which "data" is recorded, such as magnetic tapes, hard disks, optical disks or floppy disks.

- e.** "One accident" means: If an initial "accident" causes other "accidents," all will be considered "one accident." All "accidents" that are the result of the same event will be considered "one accident."

- f.** "Perishable goods" means personal property maintained under controlled conditions for its preservation, and susceptible to loss or damage if the controlled conditions change.

- g.** "Vehicle" means, as respects this endorsement only, any machine or apparatus that is used for transportation or moves under its own power. "Vehicle" includes, but is not limited to, car, truck, bus, trailer, train, aircraft, watercraft, forklift, bulldozer, tractor or harvester.

However, any property that is stationary, permanently installed at a covered location and that receives electrical power from an external power source will not be considered a "vehicle."

**B. The Building and Personal Property Coverage Form is modified as follows.**

The definitions stated above also apply to section **B.** of this endorsement.

## **CONDITIONS**

The following conditions are in addition to the Conditions in the Building and Personal Property Coverage Form and the Common Policy Conditions.

### **a. Suspension**

Whenever "covered equipment" is found to be in, or exposed to, a dangerous condition, any of our representatives may immediately suspend the insurance against loss from an "accident" to that "covered equipment." This can be done by mailing or delivering a written notice of suspension to:

- (1) your last known address; or
- (2) the address where the "covered equipment" is located.

Once suspended in this way, your insurance can be reinstated only by an endorsement for that "covered equipment." If we suspend your insurance, you will get a pro rata refund of premium for that "covered equipment" for the period of suspension. But the suspension will be effective even if we have not yet made or offered a refund.

### **b. Jurisdictional Inspections**

If any property that is "covered equipment" under this endorsement requires inspection to comply with state or municipal boiler and pressure vessel regulations, we agree to perform such inspection on your behalf. We do not warrant that conditions are safe or healthful.

### **c. Environmental, Safety and Efficiency Improvements**

If "covered equipment" requires replacement due to an "accident," we will pay your additional cost to replace with equipment that is better for the environment, safer or more efficient than the equipment being replaced.

However, we will not pay more than 125% of what the cost would have been to repair or replace with like kind and quality. This condition does not increase any of the applicable limits. This condition does not apply to any property to which Actual Cash Value applies.

The most we will pay for loss, damage or expense under this endorsement arising from any "one accident" is the applicable Limit of Insurance in the Declarations. Coverage provided under this endorsement does not provide an additional amount of insurance.

C O M M E R C I A L   G E N E R A L   L I A B I L I T Y  
C O V E R A G E   P A R T   D E C L A R A T I O N S   P A G E

POLICY EFFECTIVE      01/01/2005

POLICY NO. 1196-415

NAMED INSURED      FIRST UNITED METHODIST CHURCH

## LIMITS OF INSURANCE

GENERAL AGGREGATE LIMIT	\$ 3,000,000
(OTHER THAN PRODUCTS-COMPLETED OPERATIONS)	
PRODUCTS-COMPLETED OPERATIONS AGGREGATE LIMIT	\$ 3,000,000
PERSONAL & ADVERTISING INJURY LIMIT	\$ 1,000,000
EACH OCCURRENCE LIMIT	\$ 1,000,000
PROPERTY DAMAGE LIMIT (LEGAL LIABILITY) ANY ONE OCCURRENCE	\$ 1,000,000
MEDICAL EXPENSE LIMIT ANY ONE PERSON	\$ 5,000

FORM OF BUSINESS: ORGANIZATION (OTHER THAN PARTNERSHIP OR JOINT VENTURE)

LOCATION OF ALL PREMISES YOU OWN, RENT OR OCCUPY:

PREMISES ARE THE SAME AS SHOWN ON THE COMMERCIAL  
PROPERTY COVERAGE PART DECLARATIONS PAGE

001      VACANT HOUSE  
VACANT HOUSE  
401 EAST THREE NOTCH STREET  
ANDALISIA      AL 36420

002      VACANT HOUSE  
VACANT HOUSE  
109 6TH AVENUE  
ANDALUSIA      AL 36420

003      VACANT LAND  
107 6TH AVENUE  
ANDALUSIA      AL 36420

004      VACANT LAND  
110 OAK STREET  
ANDALUSIA      AL 36420

005      VACANT LAND  
225 RIVER FALLS STREET  
ANDALUSA      AL 36420

CONTINUED ON THE NEXT PAGE

C O M M E R C I A L G E N E R A L L I A B I L I T Y  
C O V E R A G E P A R T D E C L A R A T I O N S P A G E

POLICY EFFECTIVE 01/01/2005

POLICY NO. 1196-415

NAMED INSURED FIRST UNITED METHODIST CHURCH

LOCATION OF ALL PREMISES YOU OWN, RENT OR OCCUPY:

## CLASSIFICATIONS

CLASSIFICATION	CODE NO.	PREMIUM BASIS	EXPOSURE
STUDENT MEDICAL- DAY CARE CENTERS	49980	U	QV
CHURCH ATHLETIC ACTIVITIES	49992	C	
LOSS OF LIFE	49998	C	
CHURCHES OR OTHER HOUSES OF WORSHIP	41650	A	QVSQX
DAY CARE CENTERS NOT OPERATED FOR PROFIT	41716	U	QV
VACANT LAND NOT FOR PROFIT	49452	U	Q
VACANT BUILDINGS NOT FACTORIES NOT FOR PROFIT	68607	A	SWSM
EMPLOYMENT PRACTICES LIABILITY - EPL	49973	U	PN
FORM CP-12002 SEXUAL MISCONDUCT LIABILITY	49990	C	
DIRECTORS AND OFFICERS LIABILITY - OCCURRENCE	49999	C	

PREMIUM BASIS: A-AREA C-TOTAL COST M-ADMISSIONS  
P-PAYROLL S-GROSS SALES U-UNITS OR EACH

CONTINUED ON THE NEXT PAGE

11/15/2004

PCG 75 00 03 96

COMMERCIAL GENERAL LIABILITY  
COVERAGE PART DECLARATIONS PAGE

POLICY EFFECTIVE 01/01/2005

POLICY NO. 1196-415

NAMED INSURED FIRST UNITED METHODIST CHURCH

ENDORSEMENT SCHEDULES

FORM CP12002/0398  
SEXUAL MISCONDUCT LIABILITY COVERAGE FORM

SCHEDULE

\$ 100,000 EACH OCCURRENCE

\$ 300,000 TOTAL DAMAGES

FORM PCG7543/0203  
DIRECTOR AND OFFICER LIABILITY

SCHEDULE

\$ 1,000,000 EACH OCCURRENCE LIMIT

\$ 1,000,000 AGGREGATE LIMIT

FORM PCG7577/0298  
EMPLOYMENT PRACTICES LIABILITY COVERAGE FORM

SCHEDULE

21 NUMBER OF EMPLOYEES

\$500,000 OCCURRENCE/AGGREGATE LIMIT

\$0 RETENTION

## AMENDMENT OF INSURING AGREEMENT -- KNOWN INJURY OR DAMAGE

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

This endorsement modifies insurance provided under the following:

### COMMERCIAL GENERAL LIABILITY COVERAGE PART (OCCURRENCE VERSION)

Paragraph 1. Insuring Agreement of Section I -- Coverages -- Bodily Injury And Property Damage is replaced by the following:

#### 1. Insuring Agreement

- a. We will pay those sums that the insured becomes legally obligated to pay as damages because of "bodily injury" or "property damage" to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages for "bodily injury" or "property damage" to which this insurance does not apply. We may, at our discretion, investigate any "occurrence" and settle any claim or "suit" that may result. But:

- (1) The amount we will pay for damages is limited as described in Section III -- Limits Of Insurance; and
- (2) Our right and duty to defend end when we have used up the applicable limit of insurance in the payment of judgments or settlements under Coverages A or B or medical expenses under Coverage C.

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under Supplementary Payments -- Coverages A and B.

- b. This insurance applies to "bodily injury" and "property damage" only if:

- (1) The "bodily injury" or "property damage" is caused by an "occurrence" that takes place in the "coverage territory";

- (2) The "bodily injury" or "property damage" occurs during the policy period; and

- (3) Prior to the policy period, no insured listed under Paragraph 1. of Section II -- Who Is An Insured and no "employee" authorized by you to give or receive notice of an "occurrence" or claim, knew that the "bodily injury" or "property damage" had occurred, in whole or in part. If such a listed insured or authorized "employee" knew, prior to the policy period, that the "bodily injury" or "property damage" occurred, then any continuation, change or resumption of such "bodily injury" or "property damage" during or after the policy period will be deemed to have been known prior to the policy period.

- c. "Bodily injury" or "property damage" which occurs during the policy period and was not, prior to the policy period, known to have occurred by any insured listed under Paragraph 1. of Section II -- Who Is an Insured or any "employee" authorized by you to give or receive notice of an "occurrence" or claim, includes any continuation, change or resumption of that "bodily injury" or "property damage" after the end of the policy period.

- d. "Bodily injury" or "property damage" will be deemed to have been known to have occurred at the earliest time when any insured listed under Paragraph 1. of Section II -- Who Is An Insured or any "employee" authorized by you to give or receive notice of an "occurrence" or claim:

- (1) Reports all, or any part, of the "bodily injury" or "property damage" to us or any other insurer, if "property damage" has occurred or has begun to occur.
  - (2) Receives a written or verbal demand or claim for damages because of the "bodily injury" or "property damage"; or
  - (3) Becomes aware by any other means that "bodily injury" or
- e. Damages because of "bodily injury" include damages claimed by any person or organization for care, loss of services or death resulting at any time from the "bodily injury".

## WAR LIABILITY EXCLUSION

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

This endorsement modifies insurance provided under the following:

### COMMERCIAL GENERAL LIABILITY COVERAGE PART

- A. Exclusion i. under Paragraph 2., **Exclusions of Section I -- Coverage A -- Bodily Injury And Property Damage Liability** is replaced by the following:

**2. Exclusions**

This insurance does not apply to:

**i. War**

"Bodily injury" or "property damage", however caused, arising, directly or indirectly, out of:

- (1) War, including undeclared or civil war; or
- (2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
- (3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

- B. The following exclusion is added to Paragraph 2., **Exclusions of Section I -- Coverage B -- Personal And Advertising Injury Liability**:

**2. Exclusions**

This insurance does not apply to:

**WAR**

"Personal and advertising injury", however caused, arising, directly or indirectly, out of:

- a. War, including undeclared or civil war; or
- b. Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
- c. Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

- C. Exclusion h. under Paragraph 2. **Exclusions of Section I -- Coverage C -- Medical Payments** does not apply. Medical payments due to war are now subject to Exclusion g. of Paragraph 2., **Exclusions of Section I -- Coverage C -- Medical Payments** since "bodily injury" arising out of war is now excluded under Coverage A.

## EMPLOYMENT-RELATED PRACTICES EXCLUSION

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

This endorsement modifies insurance provided under the following:

### COMMERCIAL GENERAL LIABILITY COVERAGE PART

**A. The following exclusion is added to Paragraph 2., Exclusions of Section I — Coverage A — Bodily Injury And Property Damage Liability:**

This insurance does not apply to:

“Bodily injury” to:

- (1) A person arising out of any:
  - (a) Refusal to employ that person;
  - (b) Termination of that person’s employment; or
  - (c) Employment-related practices, policies, acts or omissions, such as coercion, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation or discrimination directed at that person; or
- (2) The spouse, child, parent, brother or sister of that person as a consequence of “bodily injury” to that person at whom any of the employment-related practices described in Paragraphs (a), (b) or (c) above is directed.

This exclusion applies:

- (1) Whether the insured may be liable as an employer or in any other capacity; and
- (2) To any obligation to share damages with or repay someone else who must pay damages because of the injury.

**B. The following exclusion is added to Paragraph 2., Exclusions of Section I — Coverage B — Personal And Advertising Injury Liability:**

This insurance does not apply to:

“Personal and advertising injury” to:

- (1) A person arising out of any:
  - (a) Refusal to employ that person;
  - (b) Termination of that person’s employment; or
  - (c) Employment-related practices, policies, acts or omissions, such as coercion, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation or discrimination directed at that person; or
- (2) The spouse, child, parent, brother or sister of that person as a consequence of “personal and advertising injury” to that person at whom any of the employment-related practices described in Paragraphs (a), (b) or (c) above is directed.

This exclusion applies:

- (1) Whether the insured may be liable as an employer or in any other capacity; and
- (2) To any obligation to share damages with or repay someone else who must pay damages because of the injury.

# **NUCLEAR, BIOLOGICAL OR CHEMICAL TERRORISM EXCLUSION (OTHER THAN CERTIFIED ACTS OF TERRORISM); CAP ON LOSSES FROM CERTIFIED ACTS OF TERRORISM**

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**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART  
LIQUOR LIABILITY COVERAGE PART  
OWNERS AND CONTRACTORS PROTECTIVE LIABILITY COVERAGE PART  
POLLUTION LIABILITY COVERAGE PART  
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART  
RAILROAD PROTECTIVE LIABILITY COVERAGE PART  
UNDERGROUND STORAGE TANK POLICY

**A. The following exclusion is added:**

This insurance does not apply to:

**TERRORISM**

"Any injury or damage" arising, directly or indirectly, out of an "other act of terrorism" that is not a "certified act of terrorism". However, this exclusion applies only when one or more of the following are attributed to such act:

1. The terrorism involves the use, release or escape of nuclear materials, or directly or indirectly results in nuclear reaction or radiation or radioactive contamination; or
2. The terrorism is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
3. Pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the terrorism was to release such materials.

**B. The following definitions are added:**

1. For the purposes of this endorsement, "any injury or damage" means any injury or damage covered under any Coverage Part to which this endorsement is applicable, and includes but is not limited to "bodily injury", "property damage", "personal and advertising injury", "injury" or "environmental damage" as may be defined in any applicable Coverage Part.

2. "Certified act of terrorism" means an act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism pursuant to the federal Terrorism Risk Insurance Act of 2002. The federal Terrorism Risk Insurance Act of 2002 sets forth the following criteria for a "certified act of terrorism":

- a. The act resulted in aggregate losses in excess of \$5 million; and
- b. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

3. "Other act of terrorism" means a violent act or an act that is dangerous to human life, property or infrastructure that is committed by an individual or individuals and that appears to be part of an effort to coerce a civilian population or to influence the policy or affect the conduct of any government by coercion, and the act is not certified as a terrorist act pursuant to the federal Terrorism Risk Insurance Act of 2002. However, "other act of terrorism" does not include an act which meets the criteria set forth in Paragraph b. of the definition of "certified

act of terrorism" when such act resulted in aggregate losses of \$5 million or less. Multiple incidents of an "other act of terrorism" which occur within a seventy-two hour period and appear to be carried out in concert or to have a related purpose or common leadership shall be considered to be one incident.

- C. In the event of an "other act of terrorism" that is not subject to this exclusion, coverage

does not apply to any loss or damage that is otherwise excluded under this Coverage Part.

- D. With respect to any one or more "certified acts of terrorism", we will not pay any amounts for which we are not responsible under the terms of the federal Terrorism Risk Insurance Act of 2002 (including subsequent acts of Congress pursuant to the Act) due to the application of any clause which results in a cap on our liability for payments for terrorism losses.

## EXCLUSION OF PUNITIVE DAMAGES RELATED TO A CERTIFIED ACT OF TERRORISM

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART  
LIQUOR LIABILITY COVERAGE PART  
OWNERS AND CONTRACTORS PROTECTIVE LIABILITY COVERAGE PART  
POLLUTION LIABILITY COVERAGE PART  
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART  
RAILROAD PROTECTIVE LIABILITY COVERAGE PART  
UNDERGROUND STORAGE TANK POLICY

A. The following exclusion is added:

This insurance does not apply to:

**TERRORISM PUNITIVE DAMAGES**

Damages arising, directly or indirectly, out of a "certified act of terrorism" that are awarded as punitive damages.

B. The following definition is added:

"Certified act of terrorism" means an act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism pursuant to the federal Terrorism Risk Insurance Act of

2002. The federal Terrorism Risk Insurance Act of 2002 sets forth the following criteria for a "certified act of terrorism":

1. The act resulted in aggregate losses in excess of \$5 million; and
2. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

## SEXUAL MISCONDUCT LIABILITY COVERAGE FORM

### 1. INSURING AGREEMENT

We agree to cover your legal liability for damages because of bodily injury, sickness or disease, including death resulting from any of these at any time; mental anguish or emotional distress sustained by a person as a result of sexual misconduct which first commences during the policy period. We shall have the right and duty to investigate any claim, as described in this Coverage Form brought against you, and to defend any suit brought against you seeking damages, even if the allegations of the suit are groundless, false or fraudulent, and we may make any settlement we deem expedient.

This policy does not apply to claims made or suits brought against any person who actually participates in, directs or knowingly allows to take place any act of sexual misconduct. We shall have no obligation or duty to investigate, defend, settle or pay judgments on behalf of any such person as described in this paragraph.

We shall have no further obligation to pay any claim or judgment or defend any suit after our limit of liability under this Coverage Form has been exhausted by payment of judgments or settlements.

The insurance provided by this Coverage Form applies to occurrences, claims or suits within the United States of America (including its territories and possessions), Puerto Rico and Canada.

### 2. LIMITS OF LIABILITY

Our obligation to pay damages for any one occurrence is the Each Occurrence limit shown on the Endorsement Schedules in the Declarations. Our total obligation for damages covered by this Coverage Form is the Total Damages limit shown on the Endorsement Schedules in the Declarations regardless of the number of claims or occurrences, or number of insureds.

Regardless of the period of time over which such acts occur or when damages are sus-

tained, all acts of sexual misconduct by one person, or two or more persons acting together, or any breach of duty causing or contributing to such acts, will be considered one occurrence in determining our liability under this section.

When we have used up the limits described herein by paying settlements or judgments, we will have no further right or duty to defend any claims or suits, whether pending at that time or started afterwards.

The insured's responsibility to pay damages is determined in a suit on the merits, in the territory described in the Insuring Agreement above or in a settlement we agree to.

### 3. WHO IS INSURED

Each of the following is an insured under this insurance to the extent set forth below:

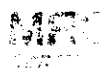
- a. The named insured.
- b. Any employee of the named insured, but only while acting within the scope of his or her employment for the named insured.
- c. Any officer or director of the named insured, but only while acting within the scope of his or her duties as such.
- d. Any volunteer or member of the named insured, but only while acting within the scope of their duties as a volunteer or member, on behalf of the named insured, and as properly authorized by the named insured, any officer or director or employee of the named insured.

The words "you" and "your" as used in this endorsement apply to any of the foregoing insureds.

### 4. EXCLUSIONS

The insurance granted by this Coverage Form shall not apply:

1. To any person who actually personally participated in, directed, or knowingly



allowed any act of sexual misconduct. The Company shall have no duty to investigate, defend or settle any claim or suit brought against any such person as described in this paragraph.

2. To the cost of defense of, or the cost of paying any fines for any person resulting from actual or alleged violations of any criminal or penal statute.
3. To liability assumed by the insured under any contract or agreement.
4. To any exemplary or punitive damages.
5. To any obligation which the insured or any carrier as his insurer may be held liable under any workers' compensation, unemployment compensation or disability benefits law or under any similar law.
6. To liability of the insured who commits or knowingly allows a "sexual harassment" or "discrimination" offense.
7. To injury to any employee of the insured arising out of and in the course of his employment by the insured for which the insured may be held liable as an employer or in any other capacity; or to any obligation of the insured to indemnify or contribute with another because of damages arising out of the injury; or to injury alleged or sustained by the spouse, child, parent or siblings of the employee of the insured as a consequence of injury to such employee arising out of and in the course of his employment; or to any claims or suits by any person or organization for damages because of such injury, including damages for care and loss of service.

## 5. SUPPLEMENTARY PAYMENTS

We will pay, in addition to the limit of liability:

- a. All the costs of investigation and defense of any claim or suit covered under this Coverage Form, including costs taxed against you in any suit which we defend.
- b. All interest on any judgment which accrues after entry of the judgment and before we have paid or tendered or deposited in court either the amount of judgment or our remaining limit of liability, whichever is less.

- c. Reasonable expenses incurred by you at our request, including actual loss of wages or salary not to exceed \$30.00 per day because of your attendance at hearings or trials at our request.

## 6. CONDITIONS

### 1. Bankruptcy.

Bankruptcy or insolvency of the insured or of the insured's estate will not relieve us of our obligations under this Coverage Form.

### 2. Duties in the Event of Occurrence, Claim or Suit.

- a. You agree to give us written notice within thirty (30) days of the date you become aware of any occurrence which may result in a claim made against you and covered by this Coverage Form. This notice shall contain all information available to you with respect to the time, place and circumstances of the occurrence, including the names and addresses of all persons involved and witnesses.
- b. If a claim is made or suit is brought against any insured, you must see to it that we receive prompt written notice of the claim or suit.
- c. You and any other involved insured must:
  - (1) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the claim or suit;
  - (2) Authorize us to obtain records and other information;
  - (3) Cooperate with us to the fullest extent reasonably necessary in the investigation, settlement or defense of the occurrence, claim or suit; and
  - (4) Assist us, upon our request, in the enforcement of any right against any person or organization which may be liable to the insured because of injury or damage to which this insurance may also apply.

- d. No insureds will, except at their own cost, voluntarily make a payment, assume any obligation, or incur any expense, other than for first aid, without our consent.

### 3. Legal Action Against Us.

No person or organization has a right under this Coverage Form:

- a. To join us as a party or otherwise bring us into a suit asking for damages from an insured; or
- b. To sue us on this Coverage Form unless all of its terms have been fully complied with.

A person or organization may sue us to recover on an agreed settlement or on a final judgment against an insured obtained after an actual trial, but we will not be liable for damages that are not payable under the terms of this Coverage Form or that are in excess of the applicable limit of insurance. An agreed settlement means a settlement and release of liability signed by us, the insured and the claimant or the claimant's legal representative.

### 4. Other Insurance.

If other valid and collectible insurance is available to the insured for a loss we cover under this Coverage Form, our obligations are limited as follows:

#### a. Primary Insurance

This insurance is primary except when stated to apply in excess of or contingent upon the absence of other insurance and **b.** below applies. If this insurance is primary, our obligations are not affected unless any of the other insurance is also primary. Then, we will share with all that other insurance by the method described in **c.** below.

#### b. Excess Insurance

When this insurance is excess, we will have no duty to defend any claim or suit that any other insurer has a duty to defend. If no other insurer defends, we will undertake to do so,

but we will be entitled to the insured's right against all those other insurers.

When this insurance is excess over other insurance, we will pay only our share of the amount of the loss, if any, that exceeds the sum of:

- (1) The total amount that all such other insurance would pay for the loss in the absence of this insurance; and
- (2) The total of all deductible and self-insured amounts under all that other insurance.

We will share the remaining loss, if any, with any other insurance that was not bought specifically to apply in excess of the Limits of Liability shown in the Declarations of this Coverage Form.

#### c. Method of Sharing

If all of the other insurance permits contribution by equal shares, we will follow this method also. Under this approach each insurer contributes equal amounts until it has paid its applicable limit of insurance or none of the loss remains, whichever comes first.

If any of the other insurance does not permit contribution by equal shares, we will contribute by limits. Under this method, each insurer's share is based on the ratio of its applicable limit of insurance to the total applicable limits of insurance of all insurers.

### 5. Premium Audit.

- a. We will compute all premiums for this Coverage Form in accordance with our rules and rates.
- b. Premium shown in this Coverage Form as advance premium is a deposit premium only. At the close of each audit period, we will compute the earned premium for that period. Audit premiums are due and payable on notice to the first Named Insured. If the sum of the advance and audit premiums paid for the policy term is greater than the earned premium, we

will return the excess to the first Named Insured.

- c. The first Named Insured must keep records of the information we need for premium computation, and send us copies at such times as we may request.

#### **6. Representations.**

By accepting this Coverage Form, you agree:

- a. The statements in the Declarations are accurate and complete;
- b. Those statements are based upon representations you made to us; and
- c. We have issued this Coverage Form in reliance upon your representations.

#### **7. Separation of Insureds.**

Except with respect to the Limits of Liability, and any rights or duties specifically assigned in this Coverage Form to the first Named Insured, this insurance applies:

- a. As if each Named Insured were the only Named Insured; and
- b. Separately to each insured against whom claim is made or suit is brought.

#### **8. Transfer of Rights of Recovery Against Others To Us.**

If the insured has rights to recover all or part of any payment we have made under this Coverage Form, those rights are transferred to us. The insured must do nothing after loss to impair them. At our request, the insured will bring suit or transfer those rights to us and help us enforce them.

#### **7. DEFINITIONS**

1. "Discrimination" means violation of a person's civil rights with respect to such person's race, color, national origin, religion, gender, marital status, or sexual orientation or physical or mental condition.
2. "Sexual harassment" means unwelcome sexual advances, requests for sexual favors, or other verbal, visual or physical conduct or a sexual nature when such conduct:
  - a. Is linked implicitly or explicitly with a decision affecting a term or condition of an individual's employment;
  - b. Interferes with an individual's job performance; or
  - c. Creates an intimidating, hostile or offensive working environment for an individual.
3. "Sexual Misconduct or Sexual Molestation: is any activity which is sexual in nature whether permitted or unpermitted, including but not limited to, sexual assault, sexual battery, sexual relations, sexual acts, sexual activity, sexual handling, sexual message, sexual exploitation, sexual exhibition, photographic, video or other reproduction of sexual activity, sexual stimulation, fondling, intimacy, exposure of sexual organs, lewd or lascivious behavior or indecent exposure, fornication, undue familiarity, or unauthorized touching.

ANY FAILURE BY YOU TO REPORT ANY OCCURRENCE COVERED BY THIS COVERAGE FORM SHALL BE CONSIDERED TO BE A MATERIAL BREACH, AND WE SHALL CONSIDER THIS COVERAGE FORM TO BE VOID WITH RESPECT TO ANY SUCH OCCURRENCE OR CLAIM OR SUIT RESULTING THEREFROM.

## **GENERAL AGGREGATE LIMIT AMENDMENT**

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**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE FORM

The following is added to 2. under **SECTION III -- LIMITS OF INSURANCE:**

2. d. Damages under COVERAGE D.

provided the "bodily injury" or "property damage" occurs subsequent to the execution of the contract or agreement. Solely for the purposes of liability assumed in an "insured contract", reasonable attorney fees and necessary litigation expenses incurred by or for a party other than an insured are deemed to be damages because of "bodily injury" or "property damage", provided:

- (a) Liability to such party for, or for the cost of, that party's defense has also been assumed in the same "insured contract"; and
- (b) Such attorney fees and litigation expenses are for defense of that party against a civil or alternative dispute resolution proceeding in which damages to which this insurance applies are alleged.

#### c. Liquor Liability

"Bodily injury" or "property damage" for which any insured may be held liable by reason of:

- (1) Causing or contributing to the intoxication of any person;
- (2) The furnishing of alcoholic beverages to a person under the legal drinking age or under the influence of alcohol; or
- (3) Any statute, ordinance or regulation relating to the sale, gift, distribution or use of alcoholic beverages.

This exclusion applies only if you are in the business of manufacturing, distributing, selling, serving or furnishing alcoholic beverages.

#### d. Workers Compensation and Similar Laws

Any obligation of the insured under a workers compensation, disability benefits or unemployment compensation law or any similar law.

#### e. Employer's Liability

"Bodily injury" to:

- (1) An "employee" of the insured arising out of and in the course of:

- (a) Employment by the insured; or
- (b) Performing duties related to the conduct of the insured's business; or
- (2) The spouse, child, parent, brother or sister of that "employee" as a consequence of (1) above.

This exclusion applies:

- (1) Whether the insured may be liable as an employer or in any other capacity; and
- (2) To any obligation to share damages with or repay someone else who must pay damages because of the injury.

This exclusion does not apply to liability assumed by the insured under an "insured contract."

#### f. Pollution

- (1) "Bodily injury" or "property damage" arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of "pollutants":

- (a) At or from any premises, site or location which is or was at any time owned or occupied by, or rented or loaned to, any insured. However, this subparagraph does not apply to:

- (i) "Bodily injury" if sustained within a building caused by smoke, fumes, vapor or soot from equipment used to heat that building;

- (ii) "Bodily injury" or "property damage" for which you may be held liable, if you are a contractor and the owner or lessee of such premises, site or location has been added to your policy as an additional insured with respect to your ongoing operations performed for that additional insured at that premises, site or location is not and never was owned or occupied by, or rented or loaned to, any insured, other

than that additional insured;  
or

(iii) "Bodily injury" or "property damage" arising out of heat, smoke or fumes from a "hostile fire";

(b) At or from any premises, site or location which is or was at any time used by or for any insured or others for the handling, storage, disposal, processing or treatment of waste;

(c) Which are or were at any time transported, handled, stored, treated, disposed of, or processed as waste by or for any insured or any person or organization for whom you may be legally responsible; or

(d) At or from any premises, site or location on which any insured or any contractors or subcontractors working directly or indirectly on any insured's behalf are performing operations if the "pollutants" are brought on or to the premises, site or location in connection with such operations by such insured, contractor or subcontractor. However, this paragraph does not apply to:

(i) "Bodily injury" or "property damage" arising out of the escape of fuels, lubricants or other operating fluids which are needed to perform the normal electrical, hydraulic or mechanical functions necessary for the operation of "mobile equipment" or its parts, if such fuels, lubricants or other operating fluids escape from a vehicle part designed to hold, store or receive them. This exception does not apply if the "bodily injury" or "property damage" arises out of the intentional discharge, dispersal or release of the fuels, lubricants or other operating fluids, or if such fuels, lubricants or other operating fluids are brought on or to the premises, site or location with the intent that they be

discharged, dispersed or released as part of the operations being performed by such insured, contractor or subcontractor;

(ii) "Bodily injury" or "property damage" sustained within a building and caused by the release of gases, fumes or vapors from materials brought into that building in connection with operations being performed by you or on your behalf by a contractor or subcontractor; or

(iii) "Bodily injury" or "property damage" arising out of heat, smoke or fumes from a "hostile fire."

(e) At or from any premises, site or location on which any insured or any contractors or subcontractors working directly or indirectly on any insured's behalf are performing operations if the operations are to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, "pollutants."

(2) Any loss, cost or expense arising out of any:

(a) Request, demand, order or statutory or regulatory requirement that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants"; or

(b) Claim or "suit" by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of "pollutants."

However, this paragraph does not apply to liability for damages because of "property damage" that the insured would have in the absence of such

request, demand, order or statutory or regulatory requirement, or such claim or "suit" by or on behalf of a governmental authority.

**g. Aircraft, Auto or Watercraft**

"Bodily injury" or "property damage" arising out of the ownership, maintenance, use or entrustment to others of any aircraft, "auto" or watercraft owned or operated by or rented or loaned to or hired by any insured. Use includes operation and "loading and unloading." Hired includes any contract to furnish transportation of pupils to and from school.

This exclusion does not apply to:

- (1) A watercraft while ashore on premises you own or rent;
- (2) A watercraft you do not own that is:
  - (a) Any length; and
  - (b) Not being used to carry persons or property for a charge;
- (3) Parking an "auto" on, or on the ways next to, premises you own or rent, provided the "auto" is not owned by or rented or loaned to you or the insured.
- (4) Liability assumed under any "insured contract" for the ownership, maintenance or use of aircraft or watercraft; or
- (5) "Bodily injury" or "property damage" arising out of the operation of any of the equipment listed in paragraph f.(2) or f.(3) of the definition of "mobile equipment".

**h. Mobile Equipment**

"Bodily injury" or "property damage" arising out of:

- (1) The transportation of "mobile equipment" by an "auto" owned or operated by or rented or loaned to any insured; or
- (2) The use of "mobile equipment" in, or while in practice for, or while being prepared for, any prearranged racing, speed, demolition, or stunting activity.

**i. War**

"Bodily injury" or "property damage" due to war, whether or not declared, or any act or condition incident to war. War includes civil war, insurrection, rebellion or revolution. This exclusion applies only to liability assumed under a contract or agreement.

**j. Damage to Property**

"Property damage" to:

- (1) Property you own, rent, or occupy;
- (2) Premises you sell, give away or abandon, if the "property damage" arises out of any part of those premises;
- (3) Property loaned to you;
- (4) Personal property in the care, custody or control of the insured;
- (5) That particular part of real property on which you or any contractors or subcontractors working directly or indirectly on your behalf are performing operations, if the "property damage" arises out of those operations; or
- (6) That particular part of any property that must be restored, repaired or replaced because "your work" was incorrectly performed on it.

Paragraph (2) of this exclusion does not apply if the premises are "your work" and were never occupied, rented or held for rental by you.

Paragraphs (3), (4), (5) and (6) of this exclusion do not apply to liability assumed under a sidetrack agreement.

Paragraph (6) of this exclusion does not apply to "property damage" included in the "products-completed operations hazard."

**k. Damage to Your Product**

"Property damage" to "your product" arising out of it or any part of it.

**l. Damage to Your Work**

"Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard."

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.

**m. Damage to Impaired Property or Property Not Physically Injured**

"Property damage" to "impaired property" or property that has not been physically injured, arising out of:

- (1) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work"; or
- (2) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to the loss or use of other property arising out of sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.

**n. Recall of Products, Work or Impaired Property**

Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of:

- (1) "Your product";
- (2) "Your work"; or
- (3) "Impaired property";

if such product, work, or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

**o. Personal and Advertising Injury**

"Bodily injury" arising out of "personal and advertising injury".

**p. Additional Exclusions**

Exclusions under ADDITIONAL EXCLUSIONS.

Exclusions c. through n. do not apply to damage to premises while rented to you or temporarily occupied by you with permission of the owner. A separate limit of insurance applies to this coverage as described in SECTION III -- LIMITS OF INSURANCE.

**COVERAGE B. PERSONAL AND ADVERTISING INJURY LIABILITY****1. Insuring Agreement.**

- a. We will pay those sums that the insured becomes legally obligated to pay as damages because of "personal and advertising injury" to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages for "personal and advertising injury" to which this insurance does not apply. We may, at our discretion, investigate any "occurrence" or offense and settle any claim or "suit" that may result. But:

- (1) The amount we will pay for damages is limited as described in SECTION III -- LIMITS OF INSURANCE; and
- (2) Our right and duty to defend end when we have used up the applicable limit of insurance in the payment of judgments or settlements under COVERAGES A or B or medical expenses under COVERAGE C.

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under SUPPLEMENTARY PAYMENTS -- COVERAGES A and B.

- b. This insurance applies to "personal and advertising injury" caused by an offense arising out of your business, but only if the offense was committed in the "coverage territory" during the policy period.

**2. Exclusions.**

This insurance does not apply to:

- a. "Personal and advertising injury":

- (1) Caused by or at the direction of the insured with the knowledge that the act would violate the rights of another and would inflict "personal and advertising injury";
- (2) Arising out of oral or written publication of material, if done by or at the direction of the insured with knowledge of its falsity;
- (3) Arising out of oral or written publication of material whose first publication took place before the beginning of the policy period;
- (4) Arising out of a criminal act committed by or at the direction of any insured;
- (5) For which the insured has assumed liability in a contract or agreement. This exclusion does not apply to liability for damages that the insured would have in the absence of the contract or agreement;
- (6) Arising out of a breach of contract, except an implied contract to use another's advertising ideas in your "advertisement";
- (7) Arising out of the failure of goods, products or services to conform with any statement of quality or performance made in your "advertisement";
- (8) Arising out of the wrong description of the price of goods, products or services stated in your "advertisement";
- (9) Advertising, broadcasting, publishing or telecasting activities arising out of:
  - i. The willful violation of a penal statute or ordinance committed by or with the knowledge or consent of any insured;
  - ii. A libel or slander or publication or utterance in violation of an individual's right of privacy if the first injurious publication or utterance of the same or similar material by or on behalf of you was made prior to the effective date of the insurance;
  - iii. Any publication or utterance (1) of a libel or slander or of other defamatory or disparaging material or (2) in violation of an individual's right of privacy concerning any person, organization or business enterprise, or his or its products, or services, made by or at the direction of any insured with knowledge of the falsity thereof.
  - iv. The conduct of any partnership or joint venture of which you are a partner or member and which is not designated in the Declarations of the policy as a Named Insured.
- (10) Committed by an insured whose business is advertising, broadcasting, publishing or telecasting. However, this exclusion does not apply to publishing, broadcasting or telecasting that is incidental to your business. This includes (i) publication or utterance in violation of an individual's right of privacy, (ii) publication or utterance of libel or slander or other defamatory or disparaging material including any infringement of copyright, title or slogan piracy, plagiarism, unfair competition or idea misappropriation under implied contract by reason of the utterance or dissemination of matter during the policy period, (iii) false arrest, detention or imprisonment, (iv) malicious prosecution or (v) the wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling or premises that a person occupies by or on behalf of its owner, landlord or lessor; or
- (11) Arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of "pollutants" at any time.
  - b. Any loss, cost or expense arising out of any:
    - (1) Request, demand or order that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants"; or

- (2) Claim or "suit" by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of, "pollutants."

**c. Exclusions under ADDITIONAL EXCLUSIONS.**

**ADDITIONAL EXCLUSIONS**

The following exclusions apply under both COVERAGE A and COVERAGE B:

1. If any college or school is operated by you or on your behalf, and that college or school owns or operates an infirmary with facilities for lodging and treatment or a public clinic or hospital, this insurance does not apply to "bodily injury," "property damage," "personal and advertising injury" caused by:
  - a. The rendering or failure to render:
    - (1) Medical, surgical, dental, x-ray or nursing service, treatment, advice or instruction or the related furnishing of food or beverages;
    - (2) Any health or therapeutic service, treatment, advice or instruction; or
    - (3) Any service, treatment, advice or instruction for the purpose of appearance or skin enhancement, hair removal or replacement or personal grooming.
  - b. The furnishing or dispensing of drugs or medical, dental or surgical supplies or appliances; or
  - c. The handling or treatment of dead bodies, including autopsies, organ donation or other procedures.
2. This insurance does not apply to "bodily injury," "property damage," "personal and advertising injury" to any student or pupil arising out of any corporal punishment administered by or at the direction of any insured.
3. Any "personal and advertising injury," "bodily injury" and mental or emotional pain or anguish, sustained by any person arising out of or resulting from any actual or alleged act of sexual misconduct of any kind. The Company shall have no duty to investigate,

settle, defend or pay any claim or "suit" asserting any act of sexual misconduct or any breach of duty contributing to such act.

4. Any "personal and advertising injury," "bodily injury" and mental or emotional pain or anguish, sustained by any person arising out of or resulting from professional activities conducted by a licensed psychiatrist, licensed mental health care practitioner, or licensed counseling practitioner.
5. Acts, errors or omissions by you as a member of a formal accreditation or similar professional board of directors, of any educational, medical, professional or religious institution.
6. Acts, errors or omissions by you as proprietor, superintendent, or "executive officer" of any hospital, sanitarium, medical clinic with bed and board facilities, laboratory, or to acts or omissions arising out of any other similar medical trade, business, employment or profession.

**COVERAGE C. MEDICAL PAYMENTS**

**1. Insuring Agreement.**

- a. We will pay medical expenses as described below for "bodily injury" caused by an accident:

- (1) On premises you own or rent;
- (2) On ways next to premises you own or rent; or
- (3) Because of your operations;

provided that:

- (1) The accident takes place in the "coverage territory" and during the policy period;
- (2) The expenses are incurred and reported to us within one year of the date of the accident; and
- (3) The injured person submits to examination, at our expense, by physicians of our choice as often as we reasonably require.

- b. We will make these payments regardless of fault. These payments will not exceed the applicable limit of insurance. We will pay reasonable expenses for:

- (1) First aid administered at the time of an accident;
- (2) Necessary medical, surgical, x-ray and dental services, including prosthetic devices; and

- (3) Necessary ambulance, hospital, professional nursing and funeral services.

c. When the "bodily injury" is caused by an accident that results from practicing, instructing or participating in any physical training, sport or athletic activity or contest whether on a formal or informal basis, we will pay medical expenses on an excess payment basis. Our obligations for payment under excess insurance are explained in 4.b. Other Insurance under SECTION IV -- COMMERCIAL GENERAL LIABILITY CONDITIONS.

d. When a covered injury to a claimant results in loss of life within one year from the date of the accident, we will pay an amount equal to the MEDICAL EXPENSE LIMIT for ANY ONE PERSON shown on the COMMERCIAL GENERAL LIABILITY COVERAGE PART DECLARATIONS PAGE, or \$5,000, whichever is greater. We will pay this amount in addition to any payments under a., b. and c. of this Insuring Agreement.

We will pay this payment to (a) the parent or guardian if the deceased was a minor; or (b) the surviving spouse, if any; or (c) a person authorized by law or legally entitled to receive such payment.

## 2. Exclusions.

We will not pay expenses for "bodily injury":

- a. To any insured except as provided in 5.b. under SECTION II -- WHO IS AN INSURED.
- b. To a person hired to do work for or on behalf of any insured or a tenant of any insured.
- c. To a person injured on that part of premises you own or rent that the person normally occupies, except if the person is engaged in an authorized church sponsored activity.

d. To a person, whether or not an "employee" of any insured, if benefits for the "bodily injury" are payable or must be provided under a workers compensation or disability benefits law or a similar law.

e. Included within the "products-completed operations hazard."

f. Excluded under COVERAGE A.

g. Due to war, whether or not declared, or any act or condition incident to war. War includes civil war, insurrection, rebellion or revolution.

h. To any student, with respect to the operation of any college or school (except Sunday school) by you or on your behalf.

i. To any person being cared for at any Day Nursery owned and operated by you or on your behalf (except Day Nurseries for the care of children while their parents are attending church activities).

## SUPPLEMENTARY PAYMENTS -- COVERAGES A and B

We will pay, with respect to any claim we investigate or settle, or any "suit" against an insured we defend:

1. All expenses we incur.
2. Up to \$500 for cost of bail bonds required because of accidents or traffic law violations arising out of the use of any vehicle to which the Bodily Injury Liability Coverage applies. We do not have to furnish these bonds.
3. The cost of bonds to release attachments, but only for bond amounts within the applicable limit of insurance. We do not have to furnish these bonds.
4. All reasonable expenses incurred by the insured at our request to assist us in the investigation or defense of the claim or "suit," including actual loss of earnings up to \$250 a day because of time off from work.
5. All costs taxed against the insured in the "suit."
6. Pre-judgment interest awarded against the insured on that part of the judgment we pay. If we make an offer to pay the applicable limit of insurance, we will not pay any

prejudgment interest based on that period of time after the offer.

7. All interest on the full amount of any judgment that accrues after entry of the judgment and before we have paid, offered to pay, or deposited in court the part of the judgment that is within the applicable limit of insurance.
8. For loss of property of others, not to exceed \$500, caused by persons participating in one of your organized activities. Loss shall mean damage or destruction but does not include disappearance, wrongful abstraction or loss of use. This supplementary payment does not apply:
  - a. If insurance is otherwise provided under any other Coverage Part of this policy; or
  - b. If the loss is covered by any other insurance you have or by any insurance of such person who causes such loss.

These payments will not reduce the limits of insurance.

If we defend an insured against a "suit" and an indemnitee of the insured is also named as a party to the "suit", we will defend that indemnitee if all of the following conditions are met:

- a. The "suit" against the indemnitee seeks damages for which the insured has assumed the liability of the indemnitee in a contract or agreement that is an "insured contract";
- b. This insurance applies to such liability assumed by the insured;
- c. The obligation to defend, or the cost of the defense of, that indemnitee, has also been assumed by the insured in the same "insured contract";
- d. The allegations in the "suit" and the information we know about the "occurrence" are such that no conflict appears to exist between the interests of the insured and the interests of the indemnitee;
- e. The indemnitee and the insured ask us to conduct and control the defense of that indemnitee against such "suit" and agree that we can assign the same counsel to defend the insured and the indemnitee; and

f. The indemnitee:

(1) agrees in writing to:

- (a) Cooperate with us in the investigation, settlement or defense of the "suit";
- (b) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the "suit";
- (c) Notify any other insurer whose coverage is available to the indemnitee; and
- (d) Cooperate with us with respect to coordinating other applicable insurance available to the indemnitee; and

(2) Provides us with written authorization to:

- (a) Obtain records and other information related to the "suit"; and
- (b) Conduct and control the defense of the indemnitee in such "suit."

So long as the above conditions are met, attorneys fees incurred by us in the defense of that indemnitee, necessary litigation expenses incurred by us and necessary litigation expenses incurred by the indemnitee at our request will be paid as Supplementary Payments. Notwithstanding the provisions of Paragraph 2.b.(2) of COVERAGE A -- BODILY INJURY AND PROPERTY DAMAGE LIABILITY (Section I -- Coverages), such payments will not be deemed to be damages for "bodily injury" and "property damage" and will not reduce the limits of insurance.

Our obligation to defend an insured's indemnitee and to pay for attorneys fees and necessary litigation expenses as Supplementary Payments ends when:

- a. We have used up the applicable limit of insurance in the payment of judgments or settlements; or
- b. The conditions set forth above, or the terms of the agreement described in paragraph f. above, are no longer met.

**SECTION II – WHO IS AN INSURED****1. If you are designated in the Declarations as:**

- a. An individual, you and your spouse are insureds, but only with respect to the conduct of a business of which you are the sole owner.
- b. A partnership or joint venture, you are an insured. Your members, your partners, and their spouses are also insureds, but only with respect to the conduct of your business.
- c. A limited liability company, you are an insured. Your members are also insureds, but only with respect to the conduct of your business. Your managers are insureds, but only with respect to their duties as your managers.
- d. An organization other than a partnership, joint venture or limited liability company, you are an insured. Your "executive officers" and directors are insureds, but only with respect to their duties as your officers or directors. Your stockholders are also insureds, but only with respect to their liability as stockholders.

**2. Each of the following is also an insured:**

- a. Your "employees," other than either your "executive officers" (if you are an organization other than a partnership, joint venture or limited liability company) or your managers (if you are a limited liability company), but only for acts within the scope of their employment by you or while performing duties related to the conduct of your business. However, none of these "employees" is an insured for:

**(1) "Bodily injury" or "personal and advertising injury":**

- (a) To you, to your partners or members (if you are a partnership or joint venture), to your members (if you are a limited liability company), or to a co-"employee" while that co-"employee" is either in the course of his or her employment or performing duties related to the conduct of your business;
- (b) To the spouse, child, parent, brother or sister of the co-

"employee" as a consequence of paragraph (1)(a) above;

- (c) For which there is any obligation to share damages with or repay someone else who must pay damages because of the injury described in paragraphs (1)(a) or (b) above.

**(2) "Property damage" to property**

- (a) Owned, occupied or used by,
- (b) Rented to, in the care, custody or control of, or over which physical control is being exercised for any purpose by

you, any of your "employees," any partner or member (if you are a partnership or joint venture), or any member (if you are a limited liability company).

- b. Any person (other than your "employee"), or any organization while acting as your real estate manager.
- c. Any person or organization having proper temporary custody of your property if you die, but only:

(1) With respect to liability arising out of the maintenance or use of that property; and

(2) Until your legal representative has been appointed.

- d. Your legal representative if you die, but only with respect to duties as such. That representative will have all your rights and duties under this Coverage Part.

- e. All hierarchical governing bodies concerned with the adoption and enforcement of needful laws and regulations, doctrine and worship for the established denomination of which you are a member, but only with respect to liability arising out of the ownership, maintenance and use of the property by you at the location(s) designated on the COMMERCIAL GENERAL LIABILITY COVERAGE PART DECLARATIONS PAGE and operations necessary and incidental thereto. But we shall not be liable under this policy to make payment to any such hierarchical body for loss in connection with any claim which is

- insured by another policy or policies, except in respect of any excess beyond the amount(s) of all valid and collectible payments under such other policy or policies.
3. With respect to "mobile equipment" registered in your name under any motor vehicle registration law, any person is an insured while driving such equipment along a public highway with your permission. Any other person or organization responsible for the conduct of such person is also an insured, but only with respect to liability arising out of the operation of the equipment, and only if no other insurance of any kind is available to that person or organization for this liability. However, no person or organization is an insured with respect to:
    - a. "Bodily injury" to a co-"employee" of the person driving the equipment; or
    - b. "Property damage" to property owned by, rented to, in the charge of or occupied by you or the employee of any person who is an insured under this provision.
  4. Any organization you newly acquire or form, other than a partnership, joint venture or limited liability company, and over which you maintain ownership or majority interest, will qualify as a Named Insured if there is no other similar insurance available to that organization. However:
    - a. Coverage under this provision is afforded only until the 365<sup>th</sup> day after you acquire or form the organization or the end of the policy period, whichever is earlier;
    - b. COVERAGE A does not apply to "bodily injury" or "property damage" that occurred before you acquired or formed the organization; and
    - c. COVERAGE B does not apply to "personal and advertising injury" arising out of an offense committed before you acquired or formed the organization.
  5. a. The following persons or organizations are also Insureds:
    - (1) Any of your members, but only with respect to their liability for your activities or activities they perform on your behalf, at your direction and within the scope of their duties.
  - (2) Any trustee or official; member of any Board, Council, Deaconry or Vestry; "Minister"; Sunday School Superintendent and any Sunday School teachers; or any student teachers teaching as part of their educational requirements; but only with respect to their duties as such.
  - (3) Any person(s) who are volunteer worker(s) for you, but only while acting at your direction and within the scope of their duties. However, no volunteer is an insured for:
    - (a) "Bodily injury" to:
      - (i) A co-volunteer of your "employee" arising out of and in the course of their duties for you; or
      - (ii) You, any partner or member (if you are a partnership or joint venture), or any member (if you are a limited liability company);
    - (b) "Property damage" to property owned, occupied or used by, rented to, in the care, custody or control of, or over which physical control is being exercised for any purpose by:
      - (i) A co-volunteer or your "employee"; or
      - (ii) You, any partner or member (if you are a partnership or joint venture), or any member (if you are a limited liability company);
  - (4) Any church organization authorized and controlled by you.
  - b. It is understood and agreed that with respect to individuals named under 5.a. of this section, Exclusion 2.a. under COVERAGE C does not apply.
- None of the following is an insured:
- a. Any person or organization with respect to the conduct of any current or past partnership, joint venture or limited liability company that is not shown as a Named Insured in the Declarations; or

- b. Any person who is a professional health care services provider with respect to his or her rendering or failure to render professional health care services.

### SECTION III – LIMITS OF INSURANCE

1. The Limits of Insurance shown in the Declarations and the rules below fix the most we will pay regardless of the number of:
  - a. Insureds;
  - b. Claims made or "suits" brought; or
  - c. Persons or organizations making claims or bringing "suits."
2. The General Aggregate Limit is the most we will pay for the sum of:
  - a. Medical expenses under COVERAGE C;
  - b. Damages under COVERAGE A except damages because of "bodily injury" and "property damage" included in the "products-completed operations hazard"; and
  - c. Damages under COVERAGE B.
3. The Products-Completed Operations Aggregate Limit is the most we will pay under COVERAGE A for damages because of "bodily injury" and "property damage" included in the "products-completed operations hazard."
4. Subject to 2. above, the Personal and Advertising Injury Limit is the most we will pay under COVERAGE B for the sum of all damages because of all "personal and advertising injury" sustained by any one person or organization.
5. Subject to 2. or 3. above, whichever applies, the Each Occurrence Limit is the most we will pay for the sum of:
  - a. Damages under COVERAGE A; and
  - b. Medical expenses under COVERAGE C.

because of all "bodily injury", "property damage" arising out of any one "occurrence."
6. Subject to 5. above, the Property Damage Limit is the most we will pay under COVERAGE A for damages because of "property damage" to premises, while rented

to you or temporarily occupied by you with permission of the owner, arising out of any one "occurrence."

7. Subject to 5. above, the Medical Expense Limit is the most we will pay under COVERAGE C for all medical expenses because of "bodily injury" sustained by any one person.
8. It is understood and agreed when two or more coverages or policies are issued by us:
  - a. If the liability coverage provided by the Commercial General Liability Coverage Part of this policy, and any endorsement or other Coverage Part of this policy, provides liability coverage for the same occurrence, the maximum liability under all coverages shall not exceed the limits of liability as provided by the Commercial General Liability Coverage Part of this policy.
  - b. If this policy and any other policy issued to you by us or any Company affiliated with us apply to the same occurrence (or accident), the maximum liability under all such policies shall not exceed the highest applicable limit of liability under any one policy.

But conditions a. and b. above do not apply to any policy issued by us or any affiliate company specifically to apply as excess insurance over this policy.

The Limits of Insurance of this Coverage Part apply separately to each consecutive annual period and to any remaining period of less than 12 months, starting with the beginning of the policy period shown in the Declarations, unless the policy period is extended after issuance for an additional period of less than 12 months. In that case, the additional period will be deemed part of the last preceding period for purposes of determining the Limits of Insurance.

### SECTION IV – COMMERCIAL GENERAL LIABILITY CONDITIONS

#### 1. Bankruptcy.

Bankruptcy or insolvency of the insured or of the insured's estate will not relieve us of our obligations under this Coverage Part.

## 2. Duties in the Event of Occurrence, Offense, Claim or Suit.

a. You must see to it that we are notified as soon as practicable of an "occurrence" or an offense which may result in a claim. To the extent possible, notice should include:

- (1) How, when and where the "occurrence" or offense took place;
- (2) The names and addresses of any injured persons and witnesses; and
- (3) The nature and location of any injury or damage arising out of the "occurrence" or offense.

b. If a claim is made or "suit" is brought against any insured, you must:

- (1) Immediately record the specifics of the claim or "suit" and the date received; and
- (2) Notify us as soon as practicable.

You must see to it that we receive written notice of the claim or "suit" as soon as practicable.

c. You and any other involved insured must:

- (1) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the claim or "suit";
- (2) Authorize us to obtain records and other information;
- (3) Cooperate with us in the investigation or settlement of the claim or defense against the "suit"; and
- (4) Assist us, upon our request, in the enforcement of any right against any person or organization which may be liable to the insured because of injury or damage to which this insurance may also apply.

d. No insured will, except at that insured's own cost, voluntarily make a payment, assume any obligation, or incur any expense, other than for first aid, without our consent.

e. When you report an occurrence to the compensation carrier insuring your

compensation insurance which later develops into a liability claim, coverage for which is provided by the policy, failure to report such occurrence to us at the time of the occurrence shall not be deemed in violation of this Condition (2.) upon the distinct understanding and agreement, however, that just as soon as you are made aware of the fact that the particular accident is a liability case rather than a compensation case, you will give notice of the aforesaid occurrence to us.

## 3. Legal Action Against Us.

No person or organization has a right under this Coverage Part:

- a. To join us as a party or otherwise bring us into a "suit" asking for damages from an insured; or
- b. To sue us on this Coverage Part unless all of its terms have been fully complied with.

A person or organization may sue us to recover on an agreed settlement or on a final judgment against an insured obtained after an actual trial; but we will not be liable for damages that are not payable under the terms of this Coverage Part or that are in excess of the applicable limit of insurance. An agreed settlement means a settlement and release of liability signed by us, the insured and the claimant or the claimant's legal representative.

## 4. Other Insurance.

If other valid and collectible insurance is available to the insured for a loss we cover under COVERAGES A or B of this Coverage Part, our obligations are limited as follows:

### a. Primary Insurance

This insurance is primary except when b. below applies. If this insurance is primary, our obligations are not affected unless any of the other insurance is also primary. Then, we will share with all that other insurance by the method described in c. below.

### b. Excess Insurance

This insurance is excess over:

en L (1) Any of the other insurance, whether  
 age and primary, excess, contingent or on any  
 should you other basis:

- (a) That is Fire, Extended Coverage, Builders' Risk, Installation Risk or similar coverage for "your work";
- (b) That is Property insurance against direct physical loss or damage to premises while rented to you or temporarily occupied by you with permission of the owner; or
- (c) That is insurance purchased by you to cover your liability as a tenant for "property damage" to premises rented to you or temporarily occupied by you with permission of the owner; or
- (d) If the loss arises out of the maintenance or use of aircraft, "autos" or watercraft to the extent not subject to Exclusion g. of SECTION I -- COVERAGE A.

- (2) Any other primary insurance available to you covering liability for damages arising out of the premises or operations for which you have been added as an additional insured by attachment of an endorsement.

When this insurance is excess, we will have no duty under COVERAGES A or B to defend the insured against any "suit" if any other insurer has a duty to defend the insured against that "suit." If no other insurer defends, we will undertake to do so, but we will be entitled to the insured's rights against all those other insurers.

When this insurance is excess over other insurance, we will pay only our share of the amount of the loss, if any, that exceeds the sum of:

- (1) The total amount that all such other insurance would pay for the loss in the absence of this insurance; and
- (2) The total of all deductible and self-insured amounts under all that other insurance.
- (3) Except that with respect to COVERAGE C, we will pay all sums necessary to first satisfy all

deductible and self-insured amounts under all applicable insurance.

We will share the remaining loss, if any, with any other insurance that is not described in this Excess Insurance provision and was not bought specifically to apply in excess of the Limits of Insurance shown in the Declarations of this Coverage Part.

#### c. Method of Sharing

If all of the other insurance permits contribution by equal shares, we will follow this method also. Under this approach each insurer contributes equal amounts until it has paid its applicable limit of insurance or none of the loss remains, whichever comes first.

If any of the other insurance does not permit contribution by equal shares, we will contribute by limits. Under this method, each insurer's share is based on the ratio of its applicable limit of insurance to the total applicable limits of insurance of all insurers.

#### 5. Premium Audit.

- a. We will compute all premiums for this Coverage Part in accordance with our rules and rates.
- b. Premium shown in this Coverage Part as advance premium is a deposit premium only. At the close of each audit period we will compute the earned premium for that period. Audit premiums are due and payable on notice to the first Named Insured. If the sum of the advance and audit premiums paid for the policy period is greater than the earned premium, we will return the excess to the first Named Insured.
- c. The first Named Insured must keep records of the information we need for premium computation, and send us copies at such times as we may request.

#### 6. Representations.

By accepting this policy, you agree:

- a. The statements in the Declarations are accurate and complete;
- b. Those statements are based upon representations you made to us; and

- c. We have issued this policy in reliance upon your representations.

## 7. Separation of Insureds.

Except with respect to the Limits of Insurance, and any rights or duties specifically assigned in this Coverage Part to the first Named Insured, this insurance applies:

- a. As if each Named Insured were the only Named Insured; and
- b. Separately to each insured against whom claim is made or "suit" is brought.

## 8. Transfer Of Rights Of Recovery Against Others To Us.

If the insured has rights to recover all or part of any payment we have made under this Coverage Part, those rights are transferred to us. The insured must do nothing after loss to impair them. At our request, the insured will bring "suit" or transfer those rights to us and help us enforce them.

## 9. When We Do Not Renew.

If we decide not to renew this Coverage Part, we will mail or deliver to the first Named Insured shown in the Declarations written notice of the nonrenewal not less than 30 days before the expiration date.

If notice is mailed, proof of mailing will be sufficient proof of notice.

## SECTION V -- DEFINITIONS

1. "Advertisement" means a notice that is broadcast or published to the general public or specific market segments about your goods, products or services for the purpose of attracting customers or supporters.
2. "Auto" means a land motor vehicle, trailer or semitrailer designed for travel on public roads, including any attached machinery or equipment. But "auto" does not include "mobile equipment."
3. "Bodily injury" means bodily injury, sickness or disease sustained by a person, including death resulting from any of these at any time.
4. "Coverage territory" means:

- a. The United States of America (including its territories and possessions), Puerto Rico and Canada;

- b. International waters or airspace, provided the injury or damage does not occur in the course of travel or transportation to or from any place not included in a. above; or

- c. All parts of the world if:

- (1) The injury or damage arises out of:

- (a) Goods or products made or sold by you in the territory described in a. above; or

- (b) The activities of a person whose home is in the territory described in a. above, but is away for a short time on your business; and

- (2) The insured's responsibility to pay damages is determined in a "suit" on the merits, in the territory described in a. above or in a settlement we agree to.

5. "Employee" includes a "leased worker." "Employee" does not include a "temporary worker."

6. "Executive officer" means a person holding any of the officer positions created by your charter, constitution, by-laws or any other similar governing document.

7. "Hostile fire" means one which becomes uncontrollable or breaks out from where it was intended to be.

8. "Impaired property" means tangible property, other than "your product" or "your work," that cannot be used or is less useful because:

- a. It incorporates "your product" or "your work" that is known or thought to be defective, deficient, inadequate or dangerous; or

- b. You have failed to fulfill the terms of a contract or agreement;

if such property can be restored to use by:

- a. The repair, replacement, adjustment or removal of "your product" or "your work," or

- b. Your fulfilling the terms of the contract or agreement.

9. "Insured contract" means:

- a. A contract for a lease of premises. However, that portion of the contract for a lease of premises that indemnifies any person or organization for damage to premises while rented to you or temporarily occupied by you with permission of the owner is not an "insured contract";
- b. A sidetrack agreement;
- c. Any easement or license agreement, except in connection with construction or demolition operations on or within 50 feet of a railroad;
- d. An obligation, as required by ordinance, to indemnify a municipality, except in connection with work for a municipality;
- e. An elevator maintenance agreement;
- f. That part of any other contract or agreement pertaining to your business (including an indemnification of a municipality in connection with work performed for a municipality) under which you assume the tort liability of another party to pay for "bodily injury" or "property damage" to a third person or organization. Tort liability means a liability that would be imposed by law in the absence of any contract or agreement.

Paragraph f. does not include that part of any contract or agreement:

- (1) That indemnifies a railroad for "bodily injury" or "property damage" arising out of construction or demolition operations, within 50 feet of any railroad property and affecting any railroad bridge or trestle, tracks, roadbeds, tunnel, underpass or crossing;
- (2) That indemnifies an architect, engineer or surveyor for injury or damage arising out of:
  - a. Preparing, approving or failing to prepare or approve maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings and specifications; or

- b. Giving directions or instructions, or failing to give them, if that is the primary cause of the injury or damage;

- (3) Under which the insured, if an architect, engineer or surveyor, assumes liability for injury or damage arising out of the insured's rendering or failure to render professional services, including those listed in (2) above and supervisory, inspection, architectural or engineering activities.

10. "Leased worker" means a person leased to you by a labor leasing firm under an agreement between you and the labor leasing firm, to perform duties related to the conduct of your business. "Leased worker" does not include a "temporary worker."

11. "Loading or unloading" means the handling of property:

- a. After it is moved from the place where it is accepted for movement into or onto an aircraft, watercraft or "auto";
- b. While it is in or on an aircraft, watercraft or "auto"; or
- c. While it is being moved from an aircraft, watercraft, or "auto" to the place where it is finally delivered;

but "loading or unloading" does not include the movement of property by means of a mechanical device, other than a hand truck, that is not attached to the aircraft, watercraft or "auto."

12. "Mobile equipment" means any of the following types of land vehicles, including any attached machinery or equipment:

- a. Bulldozers, farm machinery, forklifts and other vehicles designed for use principally off public roads;
- b. Vehicles maintained for use solely on or next to premises you own or rent;
- c. Vehicles that travel on crawler treads;
- d. Vehicles, whether self-propelled or not, maintained primarily to provide mobility to permanently mounted:

- (1) Power cranes, shovels, loaders, diggers or drills; or

(2) Road construction or resurfacing equipment such as graders, scrapers or rollers;

e. Vehicle not described in a., b., c. or d. above that are not self-propelled and are maintained primarily to provide mobility to permanently attached equipment of the following types:

(1) Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment; or

(2) Cherry pickers and similar devices used to raise or lower workers;

f. Vehicles not described in a., b., c. or d. above maintained primarily for purposes other than the transportation of persons or cargo.

However, self-propelled vehicles with the following types of permanently attached equipment are not "mobile equipment" but will be considered "autos":

(1) Equipment designed primarily for:

(a) Snow removal;

(b) Road maintenance, but not construction or resurfacing; or

(c) Street cleaning;

(2) Cherry pickers and similar devices mounted on automobile or truck chassis and used to raise or lower workers; and

(3) Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment.

13. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.

14. "Personal and advertising injury" means injury, including consequential "bodily injury," arising out of one or more of the following offenses:

a. False arrest, detention or imprisonment;

b. Malicious prosecution;

c. The wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling or premises that a person occupies by or on behalf of its owner, landlord or lessor.

d. Oral or written publication of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services.

e. Oral or written publication of material that violates a person's right of privacy.

f. The use of another's advertising idea in your "advertisement";

g. Infringing upon another's copyright, trade, dress, or slogan in your "advertisement"; or

h. Wrongful acts, errors or omissions resulting from counseling that attends to the spiritual needs of a person and is performed by:

(1) a "minister" employed by the named insured; or

(2) an "employee" of the named insured or a volunteer; but only

(a) if acting under the direction and control of a "minister" employed by the named insured; and

(b) while acting within the scope of her or his duties as an "employee" or volunteer.

Counseling that attends to the spiritual needs of a person does not include giving advice or assistance in regard to a matter such as, but not limited to, charitable contributions, finance, insurance, investment, law, real estate or tax.

15. "Pollutants" means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

16. "Products-completed operations hazard":

- a. Includes all "bodily injury" and "property damage" occurring away from premises you own or rent and arising out of "your product" or "your work" except:

- (1) Products that are still in your physical possession; or
- (2) Work that has not yet been completed or abandoned. However, "your work" will be deemed completed at the earliest of the following times:
  - (a) When all of the work called for in your contract has been completed.
  - (b) When all of the work to be done at the job site has been completed if your contract calls for work at more than one job site.
  - (c) When that part of the work done at a job site has been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project.

Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

- b. Does not include "bodily injury" or "property damage" arising out of:
- (1) The transportation of property, unless the injury or damage arises out of a condition in or on a vehicle not owned or operated by you, and that condition was created by the "loading or unloading" of that vehicle by any insured;
  - (2) The existence of tools, uninstalled equipment or abandoned or unused material; or
  - (3) Products or operations for which the classification, listed in the Declarations or in a policy schedule, states that products-completed operations are subject to the General Aggregate Limit.

17. "Property damage" means:

- a. Physical injury to tangible property, including all resulting loss of use of that property. All such loss of use shall be deemed to occur at the time of the physical injury that caused it; or
- b. Loss of use of tangible property that is not physically injured. All such loss of use shall be deemed to occur at the time of the "occurrence" that caused it.

18. "Suit" means a civil proceeding in which damages because of "bodily injury," "property damage," "personal and advertising injury" to which this insurance applies are alleged. "Suit" includes:

- a. An arbitration proceeding in which such damages are claimed and to which the insured must submit or does submit with our consent; or
- b. Any other alternative dispute resolution proceeding in which such damages are claimed and to which the insured submits with our consent.

19. "Temporary worker" means a person who is furnished to you to substitute for a permanent "employee" on leave or to meet seasonal or short-term workload conditions.

20. "Your product" means:

- a. Any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by:
  - (1) You;
  - (2) Others trading under your name; or
  - (3) A person or organization whose business or assets you have acquired; and
- b. Containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products.

"Your product" includes:

- a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your product"; and
- b. The providing of or failure to provide warnings or instructions.

"Your product" does not include vending machines or other property rented to or located for the use of others but not sold.

**21. "Your work" means:**

- a. Work or operations performed by you or on your behalf; and
- b. Materials, parts or equipment furnished in connection with such work or operations.

"Your work" includes:

a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your work"; and

b. The providing of or failure to provide warnings or instructions.

**ADDITIONAL DEFINITIONS**

"Minister" means a person employed by the named insured to attend to the spiritual needs of the congregation. Employed by the named insured includes duly assigned to or appointed by the named insured.

## DIRECTOR AND OFFICER LIABILITY

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

This endorsement modifies insurance provided under the following:

### COMMERCIAL GENERAL LIABILITY COVERAGE PART

This **Coverage D** is merged within and is a comprised part of the Commercial General Liability Coverage Form. The coverage provided by this coverage part is distinct and separate from that provided under **Coverage A, Coverage B, and Coverage C.**

Words and phrases that appear in quotation marks have special meaning. Refer to both **SECTION V -- DEFINITIONS** and the other definitions provided herein which are unique and specific to this coverage part.

**COVERAGE D. DIRECTOR AND OFFICER LIABILITY** is added to **SECTION I -- COVERAGES** as follows:

#### **COVERAGE D. DIRECTOR AND OFFICER LIABILITY**

##### **1. Insuring Agreement**

###### **a. Indemnification For You and Your "Directors or Officers"**

We will pay only those sums that you or your "directors or officers" become legally obligated to pay as "damages" because of a "wrongful act" to which this coverage part applies. This coverage part applies only if:

- (1) The "wrongful act" takes place within the "coverage territory", and
- (2) The "wrongful act" must have its first commission during the policy period.

However, the amount we pay for "damages" is limited in **SECTION III -- LIMITS OF INSURANCE.**

###### **b. Defense Obligation**

We have the right and duty to defend any insured against any "suit" seeking those "damages" to which this coverage part applies. We have no duty to defend any insured against any "suit" seeking "damages" to which this coverage does not apply. We may, at our discretion, investigate any "wrongful act" and settle

any claim or "suit" that may result. However, our duty to defend ends when we have used up the applicable limit of coverage in the payment of judgments or settlements.

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under **SUPPLEMENTARY PAYMENTS - Coverage D.**

##### **2. Exclusions**

This coverage part does not apply to:

- a. Any "Wrongful Act" arising out of or in any way related to, directly or indirectly to:
  - i. "Bodily Injury";
  - ii. "Property Damage";
  - iii. "Personal and Advertising Injury";
  - iv. "Sexual Misconduct" or "Sexual Molestation";
- b. Liability assumed in any contract;
- c. Any liability imposed by the Employers Retirement Income Security Act of 1974 (ERISA) or any amendments thereto, or similar provisions of any State or local statute or regulation;
- d. The failure or omission to procure, renew, or maintain insurance or bonds;
- e. Any claim, notification, or "suit" arising out of:
  - (1) An actual, alleged, or threatened discharge, dispersal, release or escape of "pollutants"; or
  - (2) Any governmental direction, order or request that you or any insured test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize "pollutants";

f. Any claim or "suit" arising out of "employment-related practices";

g. Any claim, action, administrative proceeding, "suit", or hearing brought by or on behalf of any regulatory or administrative agency, including, but not limited to, any right the agency may have as a receiver, liquidator, conservator, or otherwise;

h. Any claim or "suit" involving title to any real property;

i. Any claim or "suit" pertaining to ecclesiastical law, statute, canon, rule, or regulation;

j. Profits made from the purchase or sale of any security within the meaning of § 16(b) of the Securities Exchange Act of 1934 and any subsequent amendments thereto, or similar provisions of any State, municipal, or local statute, regulation, or ordinance;

k. Any adjudicated: fraudulent, dishonest, willful, or malicious "wrongful act";

l. Any claim or "suit" asserted or made against any "director or officer" by you, any insured, or any other "director or officer";

m. Personal profits or advantages which you or your "directors or officers" are not legally entitled; and

n. Any liability arising out of the Civil Rights Act codified at 42 U.S.C. § § 1983 - 1988 or any similar State or local code, regulation or ordinance.

#### **SUPPLEMENTARY PAYMENTS -- Coverage D**

We will pay, in addition to the Limit of Insurance, with respect to any claim we investigate or settle, or any "suit" we defend:

- a. All expenses we incur;
- b. The costs awarded the prevailing party, excluding attorney fees, taxed against an insured in any "suit" we defend;
- c. All interest which accrues after the entry of the judgment and before we have paid, tendered or deposited in court either the amount of judgment or the remaining limit of liability, whichever is less; and

d. All reasonable expenses incurred at our request, including actual loss of earnings up to \$250 per day for missed work.

#### **SECTION II -- WHO IS AN INSURED**

Section II is incorporated by reference.

#### **SECTION III -- LIMITS OF INSURANCE**

1. The Limits of Insurance, specific to this coverage, as designated in the Declarations determines the most we will pay regardless of the number of: claims, "suits", "wrongful acts", insureds or "directors or officers."

#### **2. Deductible**

From each claim or "suit" which results in payment for:

(1) "Damages", or

(2) Any expense, costs, or interest under the Supplementary Payments provisions of this coverage,

An amount of \$2,500 shall be first deducted. We may pay any part or all of the deductible to effectuate a settlement. You agree to promptly reimburse us for such payment.

#### **SECTION IV -- CONDITIONS COVERAGE D**

The following duties have been added and are unique to this coverage part. The remainder of **SECTION IV** is incorporated by reference. Where there is a conflict the conditions and duties provided herein will supercede those contained in **SECTION IV**.

#### **1. Duties in the Event of a "Wrongful Act", Claim, or "suit"**

- a. You agree to give us written notice within thirty (30) days from the date you become aware of any "wrongful act" which may result in a claim or "suit" covered by this coverage. This notice shall contain all information available to you with respect to the time, place and circumstances of the "wrongful act" including the names and addresses of all persons involved and witnesses.
- b. If a claim is made or a "suit" is brought against any insured, you must see to it that we receive prompt written notice of the claim or "suit."
- c. You and any other involved "insured" must:

(1) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the claim or "suit";

(2) Authorize us to obtain records and other information;

(3) Cooperate with us in the investigation, settlement or defense of the "wrongful act", claim, or "suit";

(4) Assist us in the enforcement of any right against any person or organization which may be liable to you or any insured because of "damages" to which this coverage part applies;

d. No insured will, except at their own cost, make any payment, assume any obligation, or incur any expense without our consent.

## 2. Other Insurance

When other coverage or insurance is available our obligations are limited as follows:

### a. Primary Insurance

This coverage is primary except when designated in the Declarations as excess and then b. below applies. If there is other primary coverage, we will share with all other insurance by method outlined in c. below.

### b. Excess Insurance

When this coverage is designated as excess our duty to defend is subordinate and secondary to all other insurers. If no other insurer defends, we will defend. However, we will be entitled to the insured's rights against those other insurers.

When this insurance is excess over other insurance, we will pay only our share, if any, that exceeds the sum of:

(1) The total amount that all such other insurance would pay for the "wrongful act" in the absence of this insurance; and

(2) The total of all deductible and self-insured amounts.

## c. Method of Sharing

If all of the other insurance permits contribution by equal shares, we will follow this method. Accordingly each insurer contributes equal amounts until it has paid its applicable limit.

If any of the other insurance does not permit contribution by equal shares, we will contribute by limits. Consequently, each insurer's share is based on the ratio of its applicable limit to the total applicable limits of all insurers.

## SECTION V -- DEFINITIONS -- Coverage D

The following words or phrases have a specific and unique meaning to this coverage. The remainder of **SECTION V** is incorporated by reference. Where there is a conflict, the definitions provided herein will supercede those contained in **SECTION V**.

a. "Alternative dispute resolution" includes, but is not limited to: negotiation, mediation, binding or non-binding arbitration, or summary jury trials.

b. "Damages" means only those compensatory damages allowed by law. "Damages" does not include attorney fees, costs or expenses, or punitive or exemplary damages.

c. "Director or officer" or "directors or officers" mean those insureds that are appointed or elected and authorized with the responsibility to manage and/or direct your affairs, while acting solely and exclusively in their capacity for you.

d. "Employment-related practices" mean:

(1) Any act or failure to act, by an insured, in connection with your business; or

(2) Any of your policies, or your failure to have a policy

Which directly or indirectly affects a person's employment status or condition with you or prospective employment by you.

e. "Sexual Misconduct or Sexual Molestation": is any activity which is sexual in nature whether permitted or unpermitted, including but not limited to, sexual assault, sexual battery, sexual

relations, sexual acts, sexual activity, sexual handling, sexual massage, sexual exploitation, sexual exhibition, photographic, video or other reproduction of sexual activity, sexual stimulation, fondling, intimacy, exposure of sexual organs, lewd or lascivious behavior or indecent exposure, fornication, undue familiarity, or unauthorized touching.

- f. "Suit" means any proceeding in a civil court to recover "damages" to which this coverage applies. "Suit" includes an

"alternative dispute resolution" proceeding in which "damages" are claimed and to which an insured must submit or does submit with our consent.

- g. "Wrongful act" means a single or a series of interrelated continuing negligent: acts, errors, omissions, misrepresentations, or breaches of duty initiated or ratified by you or one or more of your "directors or officers" acting individually or in concert.

# EMPLOYMENT PRACTICES LIABILITY COVERAGE FORM

**THIS IS A CLAIMS MADE COVERAGE FORM. PLEASE READ IT CAREFULLY.**

## A. INSURING AGREEMENT

1. We will pay those sums the insured becomes legally obligated to pay as damages resulting from an "injury" to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages because of an "injury" to which this insurance does not apply. We may, at our discretion, investigate any incident that may result in "injury." But:

- a. The amount we will pay for damages and "defense expenses" is limited as described in Limits of Insurance;
- b. The coverage and duty to defend provided by this Coverage Form will end when we have used up the applicable limit of insurance for "defense expenses" or the payment of judgments or settlements.

No other obligation or liability to pay sums, such as civil or criminal fines, imposed on you or any other insured, or to perform acts or services is covered unless explicitly provided for under Supplementary Payments.

2. This insurance applies to "injury" only if:
  - a. The "injury" is caused by "your employment-related practices" that take place in the "coverage territory";
  - b. The "injury" did not commence before the Retroactive Date, if any, shown on the Endorsement Schedule in the Declarations or after the end of the policy period; and
  - c. A "claim" because of the "injury" is first made against any insured, in accordance with paragraph 3. below, during the policy period or the

Extended Reporting Period, if provided.

3. A "claim" will be deemed to have been made at the earlier of the following times:

- a. When notice of such "claim" is received and recorded by any insured and reported to us in writing; or
- b. When a "claim" against an insured is made directly to us in writing.

A "claim" received by the insured during the policy period and reported to us within 90 days after the end of the policy period will be considered to have been reported within the policy period. However, this 90 day grace period does not apply to "claims" that are covered under any subsequent insurance you purchase, or that would be covered but for exhaustion of the amount of insurance applicable to such "claims."

4. All "claims" arising out of an "injury" to the same person, including damages claimed by any person for care, loss of services or death resulting at any time from the "injury," will be deemed to have been made at the time the first of such "claims" is made, regardless of the number of "claims" subsequently made.

## B. EXCLUSIONS

This insurance does not apply to:

1. Liability arising out of an insured's criminal, fraudulent or malicious acts or omissions, or arising out of an insured's instruction, direction, or approval given to another insured for such acts or omissions.

This exclusion does not affect our duty to defend, in accordance with paragraph 1.a. above, the insured prior to determining, through the appropriate legal processes, that the insured is responsible for

a criminal, fraudulent or malicious act or omission or has instructed, directed or provided approval for another insured to be responsible for such an act or omission.

2. "Injury" for which the insured is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages that the insured would have in the absence of the contract or agreement.
3. Any obligation of the insured under a workers compensation, disability benefits or unemployment compensation law or any similar law.
4. "Injury" arising out of your failure to comply with any of the accommodations for the disabled required of you by the Americans With Disabilities Act.
5. "Injury" arising out of a violation of your responsibilities or duties required by any federal, state or local statutes, rules or regulations, including but not limited to, the Employee Retirement Income Security Act of 1974, the Fair Labor Standards Act, the National Labor Relations Act, the Worker Adjustment and Retraining Notification Act, the Consolidated Omnibus Budget Reconciliation Act of 1985, the Occupational Safety and Health Act, and any rules or regulations promulgated therefor or amendments thereto.
6. "Injury" to any striking or locked-out "employee," or to an "employee" who has been temporarily or permanently replaced in connection with any labor dispute.
7. Bodily injury (except for mental anguish and emotional distress) or property damage.
8. Liability of the insured who commits or knowingly allows a "sexual harassment" offense.

This exclusion does not affect our duty to defend the insured prior to determining, through the appropriate legal processes, that the insured has committed a "sexual harassment" offense, other than an assault or battery.

9. "Injury" arising out of termination of employment, job relocation or reassignment, if the action is taken because:

- a. You have filed for bankruptcy protection, or you are placed in receivership or liquidation;
- b. You have merged with or been acquired by another business entity;
- c. You have closed an operation or a business location, in its entirety or in part; or
- d. Your business location is partly closed or the size of an operation must be reduced because of fire or other disasters beyond your control.

10. "Injury" arising out of any act or omission of the insured if such act or omission is intended by the insured to cause "injury" to a person.

11. Liability arising out of an insured's retaliatory action against a person because the person has:

- a. Declined to perform an illegal or unethical act;
- b. Filed a complaint with a governmental authority or a "suit" against you or any other insured concerning "your employment-related practices";
- c. Testified against you or any other insured at a legal proceeding; or
- d. Notified a proper authority of any aspect of your business operation which is illegal.

12. Punitive or exemplary damages.

13. Injury that arises out of:

- a. An act of "sexual misconduct or sexual molestation."

14. Any costs incurred by or imposed upon the insured in the course of complying with or implementing any equitable order or relief from any court or administrative agency.

## C. RETENTION

We will not pay for any "injury" until the amount of "injury" exceeds the retention shown on the Endorsement Schedule in the

Declarations. We will then pay the amount of "injury" in excess of the retention, up to the applicable Limit of Insurance.

#### **D. SUPPLEMENTARY PAYMENTS**

We will pay, with respect to any "claim" we investigate or settle, or any "suit" against an insured we defend:

1. Prejudgment interest awarded against the insured on that part of the judgment we pay. If we make an offer to pay the applicable limit of insurance, we will not pay any prejudgment interest based on that period of time after the offer.
2. All interest on the full amount of any judgment that accrues after entry of the judgment and before we have paid, offered to pay, or deposited in court the part of the judgment that is within the applicable Limit of Insurance.

These payments will not reduce the Limits of Insurance.

#### **E. WHO IS AN INSURED**

1. If you are designated in the Declarations as:
  - a. An individual, you and your spouse are insureds.
  - b. A partnership or joint venture, you are an insured. Your partners or members are also insureds.
  - c. A limited liability company, you are an insured. Your members and managers are also insureds.
  - d. An organization other than a partnership, joint venture or limited liability company, you are an insured. Your "executive officers" and directors are also insureds.
2. Any of your other "employees" who hold managerial or supervisory positions are also insureds, but only with respect to such managerial or supervisory duties.
3. Any volunteer or member of the named insured, but only while acting within the scope of their duties as a volunteer or member, on behalf of the named insured, but only with respect to managerial or supervisory duties, and as properly authorized by the named insured, any

officer or director or "employee" of the named insured.

No person or organization is an insured with respect to the conduct of any current or past partnership, joint venture or limited liability company that is not shown as a Named Insured in the Declarations.

#### **F. LIMITS OF INSURANCE**

1. The Limits of Insurance shown on the Endorsement Schedule in the Declarations and the rules below fix the most we will pay regardless of the number of:
  - a. Insureds;
  - b. "Claims" made or "suits" brought; or
  - c. Persons, organizations or government agencies making "claims" or bringing "suits."
2. The Aggregate Limit is the most we will pay for the sum of:
  - a. All damages; and
  - b. All "defense expenses"

because of "claims" first made against an insured during the policy period.
3. Subject to 2. above, the Per Person Limit is the most we will pay for the sum of all damages sustained by any one person and all related "defense expenses."

The Limits of Insurance of this Coverage Form available at the time a "claim" is first made shall be the only limits available for such "claim," regardless of the number of policy periods over which an "injury" took place.

Regardless of the period of time over which such acts occur or when damages are sustained, all acts by one person, or two or more persons acting together, or any breach of duty causing or contributing to such acts, will be considered one occurrence in determining our liability under this section.

#### **G. CONDITIONS**

##### **1. Bankruptcy**

Bankruptcy or insolvency of the insured or of the insured's estate will not relieve us of our obligations under this Coverage Form.

## 2. Duties in the Event of a "Claim" or an Incident that may Result in "Injury"

- a. If a "claim" is received by any insured, you must:
  - (1) Immediately record the specifics of the "claim" and the date received; and
  - (2) Notify us, in writing, as soon as practicable.
- b. You and any other involved insured must:
  - (1) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the "claim";
  - (2) Authorize us to obtain records and other information; and
  - (3) Cooperate with us in the investigation or settlement of the "claim" or defense against the "suit."
  - (4) Assist us, upon our request, in the enforcement of any right against any person or organization which may be liable to the insured because of "injury" or damage to which this insurance may also apply.
- c. No insured will, except at that insured's own cost, voluntarily make a payment, assume any obligation, or incur any expense without our written consent.
- d. If you have knowledge of an incident which may result in "injury" and for which a "claim" has not yet been received, you must notify us, in writing, as soon as practicable.

## 3. Legal Action Against Us

No person or organization has a right under this Coverage Form:

- a. To join us as a party or otherwise bring us into a "suit" asking for damages from an insured; or

- b. To sue us on this Coverage Form unless all of its terms have been fully complied with.

A person or organization may sue us to recover on an agreed settlement or on a final judgment against an insured obtained after an actual trial; but we will not be liable for damages that are not payable under the terms of this Coverage Form or that are in excess of the applicable limit of insurance. An agreed settlement means a settlement and release of liability signed by us, the insured and the claimant or the claimant's legal representative.

## 4. Other Insurance

If other valid and collectible insurance is available to the insured for a loss we cover, our obligations are limited as follows:

### a. Primary Insurance

This insurance is primary except when **b.** below applies. If this insurance is primary, our obligations are not affected unless any of the other insurance is also primary. Then, we will share with all that other insurance by the method described in **c.** below.

### b. Excess Insurance

This insurance is excess over any of the other insurance, whether primary, excess, contingent or on any other basis.

When this insurance is excess, we will have no duty to defend the insured against any "suit" if any other insurer has a duty to defend the insured against that "suit." If no other insurer defends, we will undertake to do so, but we will be entitled to the insured's rights against all those other insurers.

When this insurance is excess over other insurance, we will pay only our share of the amount of the loss, if any, that exceeds the sum of:

- (1) The total amount that all such other insurance would pay for the loss in the absence of this insurance; and

- (2) The total of all deductible and self-insured amounts under all that other insurance.

We will share the remaining loss, if any, with any other insurance that is not described in this Excess Insurance provision and was not bought specifically to apply in excess of the Limits of Insurance shown on the Endorsement Schedule in the Declarations.

**c. Method of Sharing**

If all of the other insurance permits contribution by equal shares, we will follow this method also. Under this approach each insurer contributes equal amounts until it has paid its applicable limit of insurance or none of the loss remains, whichever comes first.

If any of the other insurance does not permit contribution by equal shares, we will contribute by limits. Under this method, each insurer's share is based on the ratio of its applicable limit of insurance to the total applicable limits of insurance of all insurers.

**5. Premium Audit**

- a. We will compute all premiums for this Coverage Form in accordance with our rules and rates.
- b. Premium shown in this Coverage Part as advance premium is a deposit premium only. At the close of each audit period we will compute the earned premium for that period. Audit premiums are due and payable on notice to the first Named Insured. If the sum of the advance and audit premiums paid for the policy period is greater than the earned premium, we will return the excess to the first Named Insured.
- c. The first Named Insured must keep records of the information we need for premium computation, and send us copies at such times as we may request.

**6. Representations**

By accepting this policy, you agree:

- a. The statements on the Endorsement Schedule in the Declarations are accurate and complete;
- b. Those statements are based upon representations you made to us; and
- c. We have issued this policy in reliance upon your representations.

**7. Separation of Insureds**

Except with respect to the Limits of Insurance, and any rights or duties specifically assigned in this Coverage Form to the first Named Insured, this insurance applies:

- a. As if each Named Insured were the only Named Insured; and
- b. Separately to each insured against whom "claim" is made.

**8. Transfer of Rights of Recovery Against Others To Us**

If the insured has rights to recover all or part of any payment we have made under this Coverage Form, those rights are transferred to us. The insured must do nothing after loss to impair them. At our request, the insured will bring "suit" or transfer those rights to us and help us enforce them.

**9. Transfer of Duties When Limit of Insurance is Used Up**

- a. If we conclude that, based on "claims" which have been reported to us and to which this insurance may apply, the limit of insurance is likely to be used up in the payment of judgments or settlements for damages or the payment of "defense expenses," we will notify the first Named Insured, in writing, to that effect.
- b. When the limit of insurance has actually been used up in the payment of judgments or settlements for damages and the payment of "defense expenses," we will:

- (1) Notify the first Named Insured in writing, as soon as practicable, that such a limit has actually been used up and that our duty to

defend the insured against "suits" seeking damages subject to that limit has also ended;

- (2) Initiate, and cooperate in, the transfer of control, to any appropriate insured, of all "suits" for which the duty to defend has ended for the reason described in b.(1) above and which are reported to us before that duty to defend ended; and
  - (3) Take such steps, as we deem appropriate, to avoid a default in, or continue the defense of, such "suits" until such transfer is completed, provided the appropriate insured is cooperating in completing such transfer.
- c. When b.(1) above has occurred, the first Named Insured, and any other insured involved in a "suit" seeking damages subject to that limit, must:
- (1) Cooperate in the transfer of control of "suits"; and
  - (2) Arrange for the defense of such "suit" within such time period as agreed to between the appropriate insured and us. Absent any such agreement, arrangements for the defense of such "suit" must be made as soon as practicable.
- d. We will take no action with respect to defense for any "claim" if such "claim" is reported to us after the applicable limit of insurance has been used up. It becomes the responsibility of the first Named Insured, and any other insured involved in such a "claim," to arrange defense for such "claim."
- e. The first Named Insured will reimburse us as soon as practicable for expenses we incur in taking those steps we deem appropriate in accordance with paragraph b. above.
- f. The exhaustion of the applicable limit of insurance and the resulting end of our duty to defend will not be affected by our failure to comply with any of the provisions of this Condition.

## 10. When We Do Not Renew

If we decide not to renew this Coverage Form, we will mail or deliver to the first Named Insured shown in the Declarations written notice of the nonrenewal at least 30 days before the end of the policy period, or as required by the state law or regulation controlling the application of this Coverage Part.

If notice is mailed, proof of mailing will be sufficient proof of notice.

## H. EXTENDED REPORTING PERIOD

1. An Extended Reporting Period will be offered if the policy is cancelled or nonrenewed for any reason other than nonpayment of premium.
2. **Extended Reporting Period**
  - a. An Extended Reporting Period of three years is available, but only by endorsement and for an additional charge.
  - b. The Extended Reporting Period starts with the end of the policy period. It does not extend the policy period or change the scope of coverage provided. It applies only to "claims" for "injury" that occur before the end of the policy period but not before the Retroactive Date, if any, shown on the Endorsement Schedule in the Declarations.
  - c. You must give us a written request for the Extended Reporting Period endorsement within thirty (30) days after the end of the policy period or the effective date of cancellation, whichever comes first.
  - d. The Extended Reporting Period will not go into effect unless you pay the additional premium promptly when due and any premium you owe us. Once in effect, the Extended Reporting Period may not be cancelled.
  - e. When the Extended Reporting Period endorsement is in effect, we will provide a Supplemental Aggregate Limit for any "claim" first made during the Extended Reporting Period.

The Supplemental Aggregate Limit will be equal to the dollar amount shown on the Endorsement Schedule in the Declarations in effect at the end of the policy period.

Paragraph 2. of Limits of Insurance will be amended accordingly. The Per Person Limit shown on the Endorsement Schedule in the Declarations will then continue to apply, as set forth in paragraph 3. of this Section

- f. We will determine the additional premium in accordance with our rules and rates. In doing so, we may take into account the following:
  1. The exposures insured;
  2. Previous types and amounts of insurance;
  3. Limit of Insurance available under this Coverage Form for future payment of damages; and
  4. Other related factors.

The additional premium will not exceed 200% of the annual premium for this Coverage Form.

## I. DEFINITIONS

1. "Claim" means a "suit" or demand made by or for the injured person for damages because of alleged "injury."
2. "Coverage territory" means:
  - a. The United States of America (including its territories or possessions) and Puerto Rico; or
  - b. All parts of the world if the insured's responsibility to pay damages is determined in a "suit" on the merits is brought in the territory described in a. above or in a settlement we agree to.
3. "Defense expenses" means payments allocated to a specific "claim" we investigate, settle or defend, for its investigation, settlement or defense, including:
  - a. Fees and salaries of attorneys and paralegals we retain, including attorneys and paralegals who are our "employees."
  - b. All other litigation or administrative hearing expenses, including fees or expenses of expert witnesses hired either by us or by the defense attorney retained by an insured.
  - c. Reasonable expenses incurred by the insured at our request to assist us in the investigation or defense of the "claim," including actual loss of earnings up to \$250 a day because of time off from work.
  - d. Costs taxed against the insured in the "suit."

"Defense expenses" does not include salaries and expenses of our "employees" or the insured's "employees" (other than those described in a. and c. above).
4. "Discrimination" means violation of a person's civil rights with respect to such person's race, color, national origin, religion, gender, marital status, age, sexual orientation or physical or mental condition.
5. "Employee" includes a "leased worker." "Employee" does not include a "temporary worker."
6. "Executive officer" means a person holding any of the officer positions created by your charter, constitution, by-laws or any other similar governing document.
7. "Injury" means injury to a person arising out of:
  - a. Refusal to employ the person, termination of the person's employment, including actual or constructive discharge, demotion, evaluation, reassignment, discipline, defamation or humiliation of the person based on "discrimination" or other unjust reasons directed at that person by an insured;
  - b. Coercion of the person by an insured to do something unlawful or unethical; or
  - c. "Sexual harassment" of other work-related verbal, physical, mental or

- emotional abuse directed at the person by an insured.
8. "Leased worker" means a person leased to you by a labor leasing firm under an agreement between you and the labor leasing firm, to perform duties related to the conduct of your business. "Leased worker" does not include a "temporary worker."
  9. "Sexual harassment" means unwelcome sexual advances, requests for sexual favors, or other verbal, visual or physical conduct of a sexual nature when such conduct:
    - a. Is linked implicitly or explicitly with a decision affecting a term or condition of an individual's employment;
    - b. Interferes with an individual's job performance; or
    - c. Creates an intimidating, hostile or offensive working environment for an individual.
  10. "Sexual Misconduct or Sexual Molestation" is any activity which is sexual in nature whether permitted or unpermitted, including but not limited to, sexual assault, sexual battery, sexual relations, sexual acts, sexual activity, sexual handling, sexual massage, sexual exploitation, sexual exhibition, photographic, video or other reproduction of sexual activity, sexual stimulation, fondling, intimacy, exposure of sexual organs, lewd or lascivious behavior or indecent exposure, fornication, undue familiarity, or unauthorized touching.
  11. "Suit" means a civil proceeding in which damages because of "injury" to which this insurance applies are alleged, including:
    - a. An arbitration proceeding in which such damages are claimed and to which the insured must submit or does submit with our consent;
    - b. Any other alternative dispute resolution proceeding in which such damages are claimed and to which the insured submits with our consent.
    - c. Any administrative proceeding or hearing conducted by a governmental agency (federal, state or local) having the proper legal authority over the matter of a personal complaint on "your employment-related practices."
  12. "Temporary worker" means a person who is furnished to you to substitute for a permanent "employee" on leave or to meet seasonal or short-term workload conditions.
  13. "Your employment-related practices" means:
    - a. Any act or failure to act, by an insured, in connection with your business; or
    - b. Any of your policies, or your failure to have a policy.

which directly or indirectly affects a person's employment status or condition with you or prospective employment by you.

## **ALABAMA CHANGES**

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**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

This endorsement modifies insurance provided under the following:

EMPLOYMENT PRACTICES LIABILITY COVERAGE FORM

Exclusion 12. of **B. EXCLUSIONS** is deleted in its entirety and replaced by the following:

- 12.** Punitive or exemplary damages with the exception of Wrongful Death cases covered under Alabama's Wrongful Death Statute.



## FORGERY OR ALTERATION COVERAGE FORM (Coverage Form B)

### A. COVERAGE

We will pay for loss involving Covered Instruments resulting directly from the Covered Causes of Loss.

1. **Covered Instruments:** Checks, drafts, promissory notes, or similar written promises, orders or directions to pay a sum certain in "money" that are:

- a. Made or drawn by or drawn upon you;
- b. Made or drawn by one acting as your agent;

or that are purported to have been so made or drawn.

2. **Covered Causes Of loss:** Forgery or alteration of, on or in any Covered Instrument.

3. **Coverage Extension**

**Legal Expenses:** If you are sued for refusing to pay any Covered Instrument on the basis that it has been forged or altered, and you have our written consent to defend against the suit, we will pay for any reasonable legal expenses that you incur and pay in that defense. The amount we will pay under this extension is in addition to the Limit of Insurance applicable to this insurance.

### B. LIMIT OF INSURANCE

The most we will pay for loss in any one "occurrence" is the applicable Limit of Insurance shown in the Declarations.

### C. DEDUCTIBLE

We will not pay for loss in any one "occurrence" unless the amount of loss exceeds the Deductible Amount shown in the Declarations. We will then pay the amount of loss in excess of the Deductible Amount, up to the Limit of Insurance. This provision does not apply to legal expenses paid under the Coverage Extension.

### D. ADDITIONAL EXCLUSION, CONDITIONS AND DEFINITION

In addition to the provisions in the Crime General Provisions Form, this Coverage form is also subject to the following:

#### 1. Additional Exclusion

**Acts of Employees, Directors, or Trustees:** We will not pay for loss resulting from any dishonest or criminal act committed by any of your "employees," directors, or trustees:

- a. Whether acting alone or in collusion with other persons;  
or
- b. Whether while performing services for you or otherwise.

#### 2. Additional Conditions

- a. **Facsimile Signatures:** We will treat mechanically reproduced facsimile signatures the same as handwritten signatures.

- b. **General Amendment:** As respects this Coverage Form, the words Covered Property in the Crime General Provisions Form mean Covered Instruments.

- c. **Proof of Loss:** You must include with your proof of loss any instrument involved in that loss, or, if that is not possible, an affidavit setting forth the amount and cause of loss.

- d. **Territory:** We will cover loss you sustain anywhere in the world.

The Territory General Condition does not apply to this Coverage Form.

#### 3. Additional Definition

**"Occurrence"** means all loss caused by any person or in which that person is involved, whether the loss involves one or more instruments.

## EMPLOYEE DISHONESTY COVERAGE FORM (Coverage Form A — Blanket)

### A. COVERAGE

We will pay for loss of, and loss from damage to, Covered Property resulting directly from the Covered Cause of Loss.

1. **Covered Property:** "Money," "securities," and "property other than money and securities."
2. **Covered Cause of Loss:** "Employee dishonesty."
3. **Coverage Extension**

**Employees Temporarily Outside Coverage Territory:** We will pay for loss caused by any "employee" while temporarily outside the territory specified in the Territory General Condition for a period not more than 90 days.

### B. LIMIT OF INSURANCE

The most we will pay for loss in any one "occurrence" is the applicable Limit of Insurance shown in the Declarations.

### C. DEDUCTIBLE

1. We will not pay for loss in any one "occurrence" unless the amount of loss exceeds the Deductible Amount shown in the Declarations. We will then pay the amount of loss in excess of the Deductible Amount, up to the Limit of Insurance.
2. You must:
  - a. Give us notice as soon as possible of any loss of the type insured under this Coverage Form even though it falls entirely within the Deductible Amount.
  - b. Upon our request, give us a statement describing the loss.

### D. ADDITIONAL EXCLUSIONS, CONDITION AND DEFINITIONS:

In addition to the provisions in the Crime General Provisions Form,

this Coverage Form is subject to the following:

1. **Additional Exclusions:** We will not pay for loss as specified below:

- a. **Employee Cancelled Under Prior Insurance:** loss caused by any "employee" of yours, or predecessor in interest of yours, for whom similar prior insurance has been cancelled and not reinstated since the last such cancellation.

- b. **Inventory Shortages:** loss, or that part of any loss, the proof of which as to its existence or amount is dependent upon:

- (1) An inventory computation; or
- (2) A profit and loss computation.

2. **Additional Condition**

**Cancellation As To Any Employee:** This insurance is cancelled as to any "employee:"

- a. Immediately upon discovery by:
  - (1) You; or
  - (2) Any of your partners, officers or directors not in collusion with the "employee;"

of any dishonest act committed by that "employee" whether before or after becoming employed by you.

- b. On the date specified in a notice mailed to you. That date will be at least 30 days after the date of mailing.

The mailing of notice to you at the last mailing address known to us will be sufficient proof of notice. Delivery of notice is the same as mailing.

**3. Additional Definitions**

a. **"Employee Dishonesty"** in paragraph A.2. means only dishonest acts committed by an "employee," whether identified or not, acting alone or in collusion with other persons, except you or a partner, with the manifest intent to:

- (1) Cause you to sustain loss; and also
- (2) Obtain financial benefit (other than employee benefits earned in the normal course of employment,

including: salaries, commissions, fees, bonuses, promotions, awards, profit sharing or pensions) for:

(a) The "employee;" or

(b) Any person or organization intended by the "employee" to receive that benefit.

b. **"Occurrence"** means all loss caused by or involving, one or more "employees," whether the result of a single act or series of acts.

## **THEFT, DISAPPEARANCE AND DESTRUCTION COVERAGE FORM (Coverage Form C)**

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### **A. COVERAGE**

We will pay for loss of Covered Property resulting directly from the Covered Causes of Loss.

#### **1. Section 1. — Inside The Premises**

**a. Covered Property:** "Money" and "securities" inside the "premises" or a "banking premises."

#### **b. Covered Causes of Loss**

- (1) "Theft"
- (2) Disappearance
- (3) Destruction

#### **c. Coverage Extensions**

**(1) Containers of Covered Property:** We will pay for loss of, and loss from damage to, a locked safe, vault, cash register, cash box or cash drawer located in the "premises" resulting directly from an actual or attempted:

- (a) "Theft" of; or
- (b) Unlawful entry into those containers.

**(2) Premises Damage:** We will pay for loss from damage to the "premises" or its exterior resulting directly from an actual or attempted "theft" of Covered Property if you are the owner of the "premises" or are liable for damage to it.

#### **2. Section 2. — Outside the Premises**

**a. Covered Property:** "Money" and "securities" outside the "premises" in the care and custody of a "messenger."

### **b. Covered Causes of Loss**

- (1) "Theft"
- (2) Disappearance
- (3) Destruction

### **c. Coverage Extension**

#### **Conveyance of Property By Armored Motor Vehicle Company:**

We will pay for loss of Covered Property resulting directly from the Covered Causes of Loss while outside the "premises" in the care and custody of an armored motor vehicle company.

But, we will pay only for the amount of loss that you cannot recover:

- (1) Under your contract with the armored motor vehicle company; and
- (2) From any insurance or indemnity carried by, or for the benefit of customers of, the armored motor vehicle company.

### **B. LIMIT OF INSURANCE**

The most we will pay for loss in any one "occurrence" is the applicable Limit of Insurance shown in the DECLARATIONS.

### **C. DEDUCTIBLE**

We will not pay for loss in any one "occurrence" unless the amount of loss exceeds the Deductible Amount shown in the DECLARATIONS. We will then pay the amount of loss in excess of the Deductible Amount, up to the Limit of Insurance. In the event more than one Deductible Amount could apply to the loss, only the highest Deductible Amount may be applied.

### **D. ADDITIONAL EXCLUSIONS, CONDITIONS AND DEFINITIONS:** In addition to

the provisions in the Crime General Provisions, this Coverage Form is subject to the following:

**1. Additional Exclusions:** We will not pay for loss as specified below:

- a. Accounting or Arithmetical Errors or Omissions:** Loss resulting from accounting or arithmetical errors or omissions.
- b. Acts of Employees, Directors, Trustees or Representatives:** Loss resulting from any dishonest or criminal act committed by any of your "employees," directors, trustees or authorized representatives:
  - (1) Acting alone or in collusion with other persons; or
  - (2) While performing services for you or otherwise.
- c. Exchanges or Purchases:** Loss resulting from the giving or surrendering of property in any exchange or purchase.
- d. Fire:** Loss from damage to the "premises" resulting from fire, however caused.
- e. Money Operated Devices:** Loss of property contained in any money operated device unless the amount of "money" deposited in it is recorded by a continuous recording instrument in the device.
- f. Transfer or Surrender of Property**
  - (1) Loss of property after it has been transferred or surrendered to a person or place outside the "premises" or "banking premises:"
    - (a) On the basis of unauthorized instructions; or
    - (b) As a result of a threat to do:
      - i. Bodily harm to any person; or
      - ii. Damage to any property.
  - (2) But, this exclusion does not apply under COVERAGE, Section 2. to loss of Covered Property while

outside the "premises" or "banking premises" in the care and custody of a "messenger" if you:

- (a) Had no knowledge of any threat at the time the conveyance began; or
  - (b) Had knowledge of a threat at the time the conveyance began, but the loss was not related to the threat.
  - g. Vandalism:** Loss from damage to the "premises" or its exterior or to containers of Covered Property by vandalism or malicious mischief.
  - h. Voluntary Parting of Title to or Possession of Property:** Loss resulting from your, or anyone acting on your express or implied authority, being induced by any dishonest act to voluntarily part with title to or possession of any property.
- 2. Additional Condition**
- Duties in the Event of Loss:** If you have reason to believe that any loss of, or loss from damage to, Covered Property involves a violation of law, you must notify the police.
- 3. Additional Definitions**
- a. "Banking Premises"** means the interior of that portion of any building occupied by a banking institution or similar safe depository.
  - b. "Messenger"** means you, any of your partners or any "employee" while having care and custody of the property outside the "premises."
  - c. "Occurrence"** means an:
    - (1) Act or series of related acts involving one or more persons; or
    - (2) Act or event, or a series of related acts or events not involving any person.
  - d. "Premises"** means the interior of that portion of any building you occupy in conducting your business.
  - e. "Theft"** means any act of stealing.

# CRIME GENERAL PROVISIONS

## CORNERSTONE PLUS

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is or is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the DECLARATIONS. The words "we," "us" and "our" refer to the Company providing this insurance.

Words and phrases in quotation marks are defined in the policy.

Unless stated otherwise in any Crime Coverage Form, DECLARATIONS or endorsement, the following General Exclusions, General Conditions and General Definitions apply to all Crime Coverage Forms forming part of this policy.

### A. GENERAL EXCLUSIONS: We will not pay for loss as specified below:

1. **Acts Committed by You or Your Partners:** Loss resulting from any dishonest or criminal act committed by you or any of your partners whether acting alone or in collusion with other persons.
2. **Governmental Action:** Loss resulting from seizure or destruction of property by order of governmental authority.
3. **Indirect Loss:** Loss that is an indirect result of any act or "occurrence" covered by this insurance including, but not limited to, loss resulting from:
  - a. Your inability to realize income that you would have realized had there been no loss of, or loss from damage to, Covered Property.
  - b. Payment of damages of any type for which you are legally liable. But, we will pay compensatory damages arising directly from a loss covered under this insurance.
  - c. Payment of costs, fees or other expenses you incur in establishing either the existence or the amount of loss under this insurance.

4. **Legal Expenses:** Expenses related to any legal action.

5. **Nuclear:** Loss resulting from nuclear reaction, nuclear radiation or radioactive contamination, or any related act or incident.

6. **War and Similar Actions:** Loss resulting from war, whether or not declared, warlike action, insurrection, rebellion or revolution, or any related act or incident.

### B. GENERAL CONDITIONS

1. **Consolidation — Merger:** If through consolidation or merger with, or purchase of assets of, some other entity:

a. Any additional persons become "employees"; or

b. You acquire the use and control of any additional "premises";

any insurance afforded for "employees" or "premises" also applies to those additional "employees" and "premises," but only if you:

a. Give us written notice within 30 days thereafter; and

b. Pay us an additional premium.

2. **Coverage Extensions:** Unless stated otherwise in the Coverage Form, our liability under any Coverage Extension is part of, not in addition to, the Limit of Insurance applying to the Coverage or Coverage Section.

3. **Discovery Period for Loss:** We will pay only for covered loss discovered no later than one year from the end of the policy period.

4. **Duties in the Event of Loss:** After you discover a loss or a situation that may result in loss of, or loss from damage to, Covered Property you must:

a. Notify us as soon as possible.

b. Submit to examination under oath at our request and give us a signed statement of your answers.

c. Give us a detailed, sworn proof of loss within 120 days.

d. Cooperate with us in the investigation and settlement of any claim.

#### 5. Joint Insured

a. If more than one Insured is named in the DECLARATIONS, the first Named Insured will act for itself and for every other Insured for all purposes of this insurance. If the first Named Insured ceases to be covered, then the next Named Insured will become the first Named Insured.

b. If any Insured or partner or officer of that Insured has knowledge of any information relevant to this insurance, that knowledge is considered knowledge of every Insured.

c. An "employee" of any Insured is considered to be an "employee" of every Insured.

d. If this insurance or any of its coverages is cancelled or terminated as to any Insured, loss sustained by that Insured is covered only if discovered no later than one year from the date of that cancellation or termination.

e. We will not pay more for loss sustained by more than one Insured than the amount we would pay if all the loss had been sustained by one Insured.

#### 6. Legal Action Against Us: You may not bring any legal action against us involving loss:

a. Unless you have complied with all the terms of this insurance; and

b. Until 90 days after you have filed proof of loss with us; and

c. Unless brought within 2 years from the date you discover the loss.

#### 7. Loss Covered Under More Than One Coverage of This Insurance: If two or more coverages of this insurance apply to the same loss, we will pay the lesser of:

a. The actual amount of loss; or

b. The sum of the Limits of Insurance applicable to those coverages.

#### 8. Loss Sustained During Prior Insurance

a. If you, or any predecessor in interest, sustained loss during the period of any prior insurance that you or the predecessor in interest could have recovered under that insurance except that the time within which to discover loss had expired, we will pay for it under this insurance, provided:

(1) This insurance became effective at the time of cancellation or termination of the prior insurance; and

(2) The loss would have been covered by this insurance had it been in effect when the acts or events causing the loss were committed or occurred.

b. The insurance under this Condition is part of, not in addition to, the Limits of Insurance applying to this insurance and is limited to the lesser of the amount recoverable under:

(1) This insurance as of its effective date; or

(2) The prior insurance had it remained in effect.

#### 9. Loss Covered Under This Insurance and Prior Insurance Issued by Us or Any Affiliate: If any loss is covered:

a. Partly by this insurance; and

b. Partly by any prior cancelled or terminated insurance that we or any affiliate had issued to you or any predecessor in interest;

the most we will pay is the larger of the amount recoverable under this insurance or the prior insurance.

#### 10. Non-Cumulation of Limit of Insurance: Regardless of the number of years this insurance remains in force or the number of premiums paid, no Limit of Insurance

cumulates from year to year or period to period.

**11. Other Insurance:** This insurance does not apply to loss recoverable or recovered under other insurance or indemnity. However, if the limit of the other insurance or indemnity is insufficient to cover the entire amount of the loss, this insurance will apply to that part of the loss, other than that falling within any Deductible Amount, not recoverable or recovered under the other insurance. However, this insurance will not apply to the amount of loss that is more than the applicable Limit of Insurance shown in the DECLARATIONS.

**12. Ownership & Property; Interests Covered:** The property covered under this insurance is limited to property:

- a. That you own or hold; or
- b. For which you are legally liable.

However, this insurance is for your benefit only. It provides no rights or benefits to any other person or organization.

**13. Policy Period**

- a. The Policy Period is shown in the DECLARATIONS.
- b. Subject to the Loss Sustained During Prior Insurance condition, we will pay only for loss that you sustain through acts committed or events occurring during the Policy Period.

**14. Records:** You must keep records of all Covered Property so we can verify the amount of any loss.

**15. Recoveries**

- a. Any recoveries, less the cost of obtaining them, made after settlement of loss covered by this insurance will be distributed as follows:
  - (1) To you, until you are reimbursed for any loss that you sustain that exceeds the Limit of Insurance and the Deductible Amount, if any;
  - (2) Then to us, until we are reimbursed for the settlement made;

- (3) Then to you, until you are reimbursed for that part of the loss equal to the Deductible Amount, if any.

b. Recoveries do not include any recovery:

- (1) From insurance, suretyship, reinsurance, security or indemnity taken for our benefit; or
- (2) Of original "securities" after duplicates of them have been issued.

**16. Territory:** This insurance covers only acts committed or events occurring within the United States of America, U.S. Virgin Islands, Puerto Rico, Canal Zone or Canada.

**17. Transfer of Your Rights of Recovery Against Others to Us:** You must transfer to us all your rights of recovery against any person or organization for any loss you sustained and for which we have paid or settled. You must also do everything necessary to secure those rights and do nothing after loss to impair them.

**18. Valuation — Settlement**

- a. Subject to the applicable Limit of Insurance provision we will pay for:
  - (1) Loss of "money" but only up to and including its face value. We may, at our option, pay for loss of "money" issued by any country other than the United States of America:
    - (a) At face value in the "money" issued by that country; or
    - (b) In the United States of America dollar equivalent determined by the rate of exchange on the day the loss was discovered.
  - (2) Loss of "securities" but only up to and including their value at the close of business on the day the loss was discovered. We may, at our option:
    - (a) Pay the value of such "securities" or replace them in kind, in which event you must assign to us all your rights,

title and interest in and to those "securities";

(b) Pay the cost of any Lost Securities Bond required in connection with issuing duplicates of the "securities." However, we will be liable only for the payment of so much of the cost of the bond as would be charged for a bond having a penalty not exceeding the lesser of the:

(i) Value of the "securities" at the close of business on the day the loss was discovered; or

(ii) Limit of Insurance.

(3) Loss of, or loss from damage to, "property other than money and securities" or loss from damage to the "premises" for not more than the:

(a) Actual cash value of the property on the day the loss was discovered;

(b) Cost of repairing the property or "premises"; or

(c) Cost of replacing the property with property of like kind and quality.

We may, at our option, pay the actual cash value of the property or repair or replace it.

If we cannot agree with you upon the actual cash value or the cost of repair or replacement, the value or cost will be determined by arbitration.

b. We may, at our option, pay for loss of, or loss from damage to, property other than "money":

(1) In the "money" of the country in which the loss occurred; or

(2) In the United States of America dollar equivalent of the "money" of the country in which the loss occurred determined by the rate of exchange on the day the loss was discovered.

c. Any property that we pay for or replace becomes our property.

## C. GENERAL DEFINITIONS

### 1. "Employee" means:

a. Any natural person:

(1) While in your service (and for 30 days after termination of service); and

(2) Whom you compensate directly by salary, wages or commissions; and

(3) Whom you have the right to direct and control while performing services for you; or

b. Any natural person employed by an employment contractor while that person is subject to your direction and control and performing services for you excluding, however, any such person while having care and custody of property outside the "premises."

c. Any minister (person duly assigned, appointed or employed to attend to the spiritual needs of others), council member, deacon, elder, officer, member of the Board of Education, Board of Governors or Board of Trustees, Sunday school superintendent, Sunday school teacher, vestry member, warden or volunteer, duly appointed or elected by you, whether or not compensated, but only while acting in the scope of his or her duty as such in relation to you.

But "employee" does not mean any:

(1) Agent, broker, factor, commission merchant, consignee, independent contractor or representative of the same general character.

### 2. "Money" means:

a. Currency, coins and bank notes in current use and having a face value; and

b. Travelers checks, register checks and money orders held for sale to the public.

3. **"Property Other Than Money and Securities"** means any tangible property other than "money" and "securities" that has intrinsic value but does not include any property listed in any Crime Coverage Form as Property Not Covered.
4. **"Securities"** means negotiable and non-negotiable instruments or contracts representing either "money" or other property and includes:
  - a. Tokens, tickets, revenue and other stamps (whether represented by actual stamps or unused value in a meter) in current use; and
  - b. Evidences of debt issued in connection with credit or charge cards, which cards are not issued by you;but does not include "money."